The Fiscal Monitor

A Publication of the Department of Finance

Financial results for January 1996

Deficit Declines $1.1 billion in January 1996

The deficit in January 1996 was estimated at $1.9 billion, down $1.1 billion from January 1995.

- The year-over-year improvement in the deficit was attributable to continued strength in budgetary revenues and restraint in program spending.
- Budgetary revenues were up 12.3 per cent, or $1.2 billion.
  - Corporate income tax collections were up $0.5 billion, reflecting continued strength in corporate profits;
  - Goods and Services Tax collections were up $0.3 billion;
  - Non-tax revenues were up $0.2 billion, due to repayments related to previous years' spending; and
  - Personal income tax collections were up $0.2 billion, due to recoveries from the Canada Pension Plan Account for over-payments relating to taxation year 1994.

Deficit for April 1995 to January 1996 down by $4.3 billion

Over the ten months of the fiscal year, the deficit, at $21.0 billion, was $4.3 billion lower than in the same period in 1994-95.

- Budgetary revenues were up $6.0 billion or 6.0 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 9.4 per cent), dampened by a slight decline in unemployment insurance premiums (down 1.6 per cent) and virtually no change in sales and excise tax collections (up 0.1 per cent).
- Program spending declined by $2.9 billion or 3.2 per cent, as lower expenditures were reported among all major components with the exception of transfers to other levels of government and payments to Crown corporations.
- Public debt charges were up by $4.5 billion, or 13.0 per cent. This increase reflects both the increase in the stock of debt and the higher interest rates from March 1995 to October 1995 over the corresponding period in 1994. However, the year-over-year increase in public debt charges has been moderating in recent months due to the general downward trend in interest rates since April 1995.

As noted in the March 1996 Budget, the deficit target for 1995-96 of $32.7 billion is expected to be met if not bettered. Final deficit results will be released in the Annual Financial Report, scheduled for release in early fall.

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Table 1

Summary statement of financial transactions[1]

	January		April to January	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Budgetary transactions				
Revenues	9,667	10,854	99,450	105,416
Program spending	-9,033	-8,952	-90,270	-87,407
Operating balance	634	1,902	9,180	18,009
Public debt charges	-3,558	-3,761	-34,479	-38,978
Deficit	-2,924	-1,859	-25,299	-20,969
Non-budgetary transactions	2,578	2,140	2,892	5,899
Financial requirements (excluding foreign exchange transactions)	-346	281	-22,407	-15,070
Foreign exchange transactions	218	-3,872	5,154	-4,294
Financial requirements	-128	-3,591	-17,253	-19,364
Unmatured debt transactions	-1,540	-715	16,677	20,551

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	January		April to January	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Income taxes				
Personal income tax	5,537	5,700	48,497	52,165
Corporate income tax	901	1,364	8,496	10,123
Other income tax revenue	191	226	1,444	1,631
Total income tax	6,629	7,290	58,437	63,919
Unemployment insurance contributions	1,138	1,226	15,795	15,546
Excise taxes and duties				
Goods and Services Tax	824	1,160	12,707	12,897
Customs import duties	210	157	2,926	2,337
Sales and excise taxes	589	523	5,450	5,822
Total excise taxes/duties	1,623	1,840	21,083	21,056
Total tax revenues	9,390	10,356	95,315	100,521
Non-tax revenues	277	498	4,135	4,895
Total budgetary revenues	9,667	10,854	99,450	105,416

Table 3

Detailed statement of budgetary transactions – Expenditures

	January		April to January	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,716	1,765	17,066	17,468
Unemployment insurance benefits	1,554	1,508	12,032	10,675
Other	121	119	1,195	1,158
Total	3,391	3,392	30,293	29,301
Other levels of government				
Established Programs Financing	811	831	8,021	8,060
Fiscal transfers	622	761	7,925	8,329
Canada Assistance Plan	309	327	6,611	6,519
Total	1,742	1,919	22,557	22,908
Other				
Agricultural	114	109	667	439
Indians and Inuit	152	178	2,692	2,917
Regional development	47	95	309	417
Science and technology	88	57	1,030	964
International assistance	197	173	1,485	1,263
Other	550	520	4,745	4,167
Total	1,148	1,132	10,928	10,167
Total transfers	6,281	6,443	63,778	62,376
Payments to Crown corporations	439	402	3,747	3,780
Operating and capital expenditures				
Defence	817	811	8,158	7,742
All other departmental expenditures	1,496	1,296	14,587	13,509
Total	2,313	2,107	22,745	21,251
Total program spending	9,033	8,952	90,270	87,407
Public debt charges	3,558	3,761	34,479	38,978
Total budgetary expenditures	12,591	12,713	24,749	126,385

Table 4

Non-budgetary transactions

	January		April to January	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	547	398	1,273	3,408
Other	-220	28	-592	-187
Total	327	426	681	3,221
Specified purpose accounts				
Canada Pension Plan Account	-302	-655	-17	-814
Superannuation accounts	-117	-150	5,933	6,071
Other	20	76	137	203
Total	-399	-729	6,053	5,460
Other transactions	2,650	2,443	-3,842	-2,782
Total non-budgetary transactions	2,578	2,140	2,892	5,899

Table 5

Foreign exchange and unmatured debt transactions

	January		April to January	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-3,004	-3,792	-762	-2,504
Unmatured debt transactions payable in foreign currencies	3,222	-80	5,916	-1,790
Total	218	-3,872	5,154	-4,294
Unmatured debt transactions				
Marketable bonds		2,100	25,630	29,656
Canada Savings Bonds	-341	-354	1,839	619
Treasury bills	-1,300	-2,500	-7,750	-6,850
Other	3,222	-147	3,136	-4,489
Subtotal	1,581	-901	22,855	18,936
Less:				
Government's holding of unmatured debt	101	106	-262	-175
Unmatured debt transactions payable in foreign currencies	-3,222	80	-5,916	1,790
Subtotal	-3,121	186	-6,178	1,615
Total unmatured debt transactions payable in Canadian dollars	-1,540	-715	16,677	20,551

Table 6

Cash, unmatured debt and debt balances

	at January 31	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	1,509	3,032
In foreign currencies	54	47
Total cash balance	1,563	3,079
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	226,302	252,180
Canada Savings Bonds	33,170	32,005
Treasury bills	158,250	157,600
Other	3,491	4,011
Subtotal	421,213	445,796
Less:		
Government's holdings of unmatured debt	1,228	1,169
Total	419,985	444,627
Payable in foreign currencies		
Marketable bonds	7,792	11,097
Notes and loans	0	0
Canada bills	8,792	4,034
Subtotal	16,584	15,131
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	436,569	459,758

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March 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for February 1996

Deficit declines $0.3 billion in February 1996

The deficit in February 1996 was estimated at $2.3 billion, down $0.3 billion from February 1995.

- The year-over-year improvement in the deficit was attributable to continued strength in budgetary revenues.
- Budgetary revenues were up 5.4 per cent, or $0.5 billion.
  - Personal income tax collections were up $0.5 billion, primarily reflecting gains in employment.
  - Corporate income tax collections were up $0.3 billion, reflecting continued strength in corporate profits.
  - Non-tax revenue was up $0.3 billion, due to repayments related to previous years' spending.
  - In contrast, Goods and Services Tax collections were down $0.5 billion, due to the timing of the processing of refunds.
- Program spending increased by 1.3 per cent, or $0.1 billion, due to timing of transfers to provinces and certain Crown corporations, as well as higher elderly benefit payments.
- Public debt charges advanced by only 3.2 per cent, the lowest year-over-year increase this fiscal year, due to the general downward trend in interest rates witnessed since April 1995.

Deficit for April 1995 to February 1996 down by $4.6 billion

Over the 11 months of the fiscal year, the deficit, at $23.3 billion, was $4.6 billion lower than in the same period in 1994-95.

- Budgetary revenues were up $6.5 billion or 5.9 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 9.8 per cent), dampened by slight declines in unemployment insurance premiums (down 2.0 per cent) and in excise taxes and duties (down 2.1 per cent).
- Program spending declined by $2.7 billion or 2.8 per cent, as lower expenditures were reported among all major components with the exception of transfers to other levels of government and payments to Crown corporations.
- Public debt charges were up by $4.6 billion, or 12.1 per cent. This increase reflects both the increase in the stock of debt and the lagged impact of the higher interest rates over the March 1994 to April 1995 period. However, the year-over-year increase in public debt charges has been moderating in recent months due to the general downward trend in interest rates since April 1995.

As noted in the March 1996 Budget, the deficit target for 1995-96 of $32.7 billion is expected to be met if not bettered. Final deficit results will be released in the *Annual Financial Report*, scheduled for release in early fall.

Table 1

Summary statement of financial transactions[1]

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Budgetary transactions				
Revenues	9,969	10,509	109,420	115,925
Program spending	-9,015	-9,134	-99,286	-96,542
Operating balance	954	1,375	10,134	19,383
Public debt charges	-3,573	-3,686	-38,051	-42,664
Deficit	-2,619	-2,311	-27,917	-23,281
Non-budgetary transactions	1,318	2,222	4,210	8,119
Financial requirements (excluding foreign exchange transactions)	-1,301	-89	-23,707	-15,162
Foreign exchange transactions	-1,762	560	3,392	-3,734
Financial requirements	-3,063	471	-20,315	-18,896
Unmatured debt transactions	3,743	1,990	20,421	22,540

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Income taxes				
Personal income tax	4,082	4,573	52,579	56,738
Corporate income tax	1,253	1,566	9,749	11,689
Other income tax revenue	161	149	1,605	1,780
Total income tax	5,496	6,288	63,933	70,207
Unemployment insurance contributions	1,566	1,468	17,361	17,014
Excise taxes and duties				
Goods and Services Tax	1,917	1,454	14,624	14,351
Customs import duties	231	192	3,157	2,528
Sales and excise taxes	537	571	5,986	6,393
Total excise taxes/duties	2,685	2,217	23,767	23,272
Total tax revenues	9,747	9,973	105,061	110,493
Non-tax revenues	222	536	4,359	5,432
Total budgetary revenues	9,969	10,509	109,420	115,925

Table 3

Detailed statement of budgetary transactions – Expenditures

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,717	1,774	18,783	19,242
Unemployment insurance benefits	1,351	1,363	13,383	12,037
Other	120	113	1,314	1,271
Total	3,188	3,250	33,480	32,550
Other levels of government				
Established Programs Financing	811	831	8,832	8,891
Fiscal transfers	682	835	8,607	9,164
Canada Assistance Plan	314	342	6,925	6,861
Total	1,807	2,008	24,364	24,916
Other				
Agricultural	79	106	745	545
Indians and Inuit	263	210	2,955	3,128
Regional development	60	103	369	520
Science and technology	185	148	1,215	1,113
International assistance	159	242	1,645	1,505
Other	582	491	5,407	4,699
Total	1,328	1,300	12,336	11,510
Total transfers	6,323	6,558	70,180	68,976
Payments to Crown corporations	319	429	3,987	4,167
Operating and capital expenditures				
Defence	845	749	9,002	8,491
All other departmental expenditures	1,528	1,398	16,117	14,908
Total	2,373	2,147	25,119	23,399
Total program spending	9,015	9,134	99,286	96,542
Public debt charges	3,573	3,686	38,051	42,664
Total budgetary expenditures	12,588	12,820	137,337	139,206

Table 4

Non-budgetary transactions

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	-63	48	1,210	3,556
Other	-26	-70	-618	-257
Total	-89	78	592	3,299
Specified purpose accounts				
Canada Pension Plan Account	284	633	267	-181
Superannuation accounts	-184	-236	5,749	5,835
Other	35	94	172	296
Total	135	491	6,188	5,950
Other transactions	1,272	1,653	-2,570	-1,130
Total non-budgetary transactions	1,318	2,222	4,210	8,119

Table 5

Foreign exchange and unmatured debt transactions

	February		April to February	
	1995	1996	1994-95	1995-96
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-1,496	948	-2,258	-1,556
Unmatured debt transactions payable in foreign currencies	-266	-388	5,650	-2,178
Total	-1,762	560	3,392	-3,734
Unmatured debt transactions				
Marketable bonds	2,163	-1,449	27,793	28,207
Canada Savings Bonds	-987	-309	852	309
Treasury bills	2,450	2,800	-5,300	-4,050
Other	-267	-479	2,869	-4,010
Subtotal	3,359	1,521	26,214	20,456
Less:				
Government's holding of unmatured debt	118	81	-143	-94
Unmatured debt transactions payable in foreign currencies	266	388	-5,650	2,178
Subtotal	384	469	-5,793	2,084
Total unmatured debt transactions payable in Canadian dollars	3,743	1,990	20,421	22,540

Table 6

Cash, unmatured debt and debt balances

	at February 29	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	2,016	5,298
In foreign currencies	226	241
Total cash balance	2,242	5,539
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	228,465	252,062
Canada Savings Bonds	32,183	31,696
Treasury bills	160,700	160,400
Other	3,490	3,479
Subtotal	424,838	447,637
Less:		
Government's holdings of unmatured debt	1,109	1,088
Total	423,729	446,549
Payable in foreign currencies		
Marketable bonds	7,792	9,698
Notes and loans	0	0
Canada bills	8,526	5,045
Subtotal	16,318	14,743
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	440,047	461,292

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The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for March 1996

Deficit $2.1 billion lower in March 1996

The deficit for March 1996 was estimated at $1.1 billion, down $2.1 billion from March 1995.

- This year-over-year improvement was attributable to higher budgetary revenues (up 9.3 per cent) and lower program spending (down 10.5 per cent). Public debt charges were up 3 per cent.

Deficit for April 1995 to March 1996 down by $6.7 billion

Over the 12-month period, the deficit stood at $24.4 billion, $6.7 billion lower than in the same period in 1994-95.

- Budgetary revenues were up $7.6 billion or 6.3 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 11.6 per cent), dampened by a decline in unemployment insurance premiums (down 2.4 per cent) and in sales and excise tax collections (down 1.4 per cent).
- Program spending was down $3.9 billion or 3.5 per cent, as lower expenditures were reported among all major components with the exception of transfers to other levels of government and payments to Crown corporations.
- Public debt charges were up by $4.7 billion, or 11.3 per cent. This reflects both the increase in the stock of debt and the lagged impact of higher interest rates over the March 1994 to April 1995 period. Sluggish economic growth, low inflation and fiscal restraint by all levels of government have put downward pressure on rates, especially short rates.

These are not the final results for 1995-96

These are not the final financial results for fiscal year 1995-96. Still to come are the regular end-of-year accounting adjustments.

- Consistent with government accounting principles, these "end-of-year accounting" adjustments reflect the recording of the costs of goods and services provided to the government prior to the end of March for which no payment was made in 1995-96. Adjustments are also made to budgetary revenues, primarily to reflect cash-in-transit at year end. The end-of-year accounting adjustments also include the impact of specific one-time adjustments relating to liabilities incurred during the course of the fiscal year for which future payments will be required.
- The deficit impact of these "end-of-year accounting" adjustments has ranged from about $3 billion to $6.4 billion in recent years.

The final deficit outcome, which will be available in late summer 1996, will be dependant upon the value of these end-of-year accounting adjustments, including the impact of one-time adjustments. However, the financial results to date suggest that the final deficit outcome for 1995-96 could be just below $30 billion.

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The Fiscal Monitor

Table 1

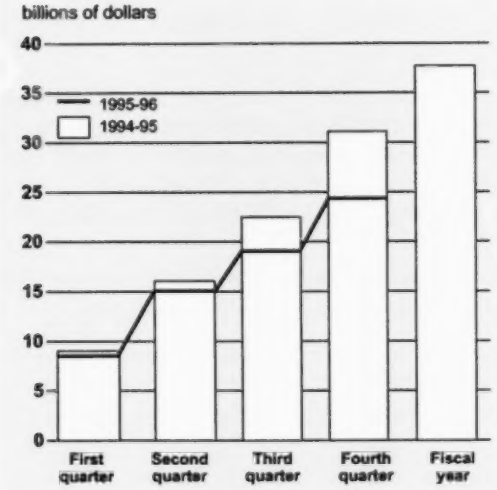
Summary statement of transactions

	March		April to March	
	1995	1996	1994-95	1995-96
	(millions of dollars)			
Budgetary transactions				
Revenues	11,534	12,611	120,953	128,536
Program spending	-10,835	-9,696	-110,121	-106,239
Operating surplus	699	2,915	10,832	22,297
Public debt charges	-3,874	-3,991	-41,925	-46,654
Deficit/Surplus	-3,175	-1,076	-31,093	-24,357
Non-budgetary transactions	1,262	-677	5,470	7,441
Financial requirements/source (excluding foreign exchange transactions)	-1,913	-1,753	-25,623	-16,916
Foreign exchange transactions	1,442	-1,129	4,835	-4,863
Total financial requirements	-471	-2,882	-20,788	-21,779
Unmatured debt transactions	333	6,102	20,754	28,645

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

The federal deficit
1994-95 and 1995-96

Year to date



Financial requirements lower in 1995-96

Financial requirements are largely unaffected by the end-of-year accounting adjustments. Financial requirements, excluding foreign exchange transactions, amounted to $16.9 billion for 1995-96, $8.7 billion below the final outcome for 1994-95. The 1995-96 requirements were $3.1 billion below the March 1996 budget estimate.

Budgetary revenues up

On a year-over-year basis, budgetary revenues over the April 1995 to March 1996 period increased by $7.6 billion (6.3 per cent). This increase was largely attributable to higher income tax collections, up $8.1 billion. In contrast, both unemployment insurance premiums and excise taxes and duties were lower.

Personal income tax collections were up $4.8 billion, or 8.7 per cent, on a year-over-year. This reflected a combination of higher deductions from employment income, increased instalment payments, as well as higher taxes paid on filing relating to the 1994 taxation year.

Corporate income tax collections increased by $2.9 billion, or 23.8 per cent, attributable to the strength in corporate profits witnessed during 1995.

Table 2

Budgetary revenues

	March		April to March		
	1995	1996	1994-95	1995-96	Per cent change
	(millions of dollars)				(%)
Income taxes					
Personal income tax	3,052	3,728	55,631	60,466	8.7
Corporate income tax	2,491	3,459	12,240	15,148	23.8
Other	113	254	1,717	2,034	18.4
Total income tax	5,656	7,441	69,588	77,648	11.6
Unemployment insurance contributions	1,578	1,466	18,938	18,480	-2.4
Excise taxes and duties					
Goods and Services Tax	955	948	15,579	15,299	-1.8
Customs import duties	330	276	3,488	2,805	-19.6
Other excise taxes/duties	503	702	6,491	7,094	9.3
Total excise taxes and duties	1,788	1,926	25,558	25,198	-1.4
Total tax revenue	9,022	10,833	114,084	121,326	6.3
Non-tax revenue	2,512	1,778	6,869	7,210	5.2
Total budgetary revenues	11,534	12,611	120,953	128,536	6.3

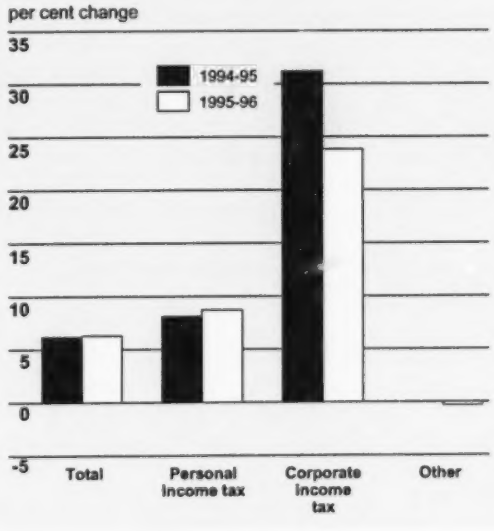
Unemployment insurance premium contributions declined by $0.5 billion, primarily reflecting transfers of funds from the Unemployment Insurance Account to personal income tax collections due to overpayments to the Account for taxation year 1994. In addition, the premium rates for 1996 were reduced from their 1995 levels.

Total excise taxes and duties declined $0.4 billion, as lower Goods and Services Tax (GST) and customs import duties collections more than offset an increase in other excise taxes and duties.

- Net GST collections were down 1.8 per cent on a year-over-year basis. Most of this decline was attributable to higher refunds. Gross GST collections were up 3.2 per cent in line with the increase in retail sales. However, refunds were up 9.5 per cent, primarily reflecting lags in the processing of refunds.
- Customs import duties declined 19.6 per cent, in part reflecting reductions in tariffs under the Canada-United States Free Trade Agreement.

Budgetary revenues
1994-95 and 1995-96

April to March
Year-over-year growth



- Other excise taxes and duties were up 9.3 per cent, largely due to the increase in gasoline and tobacco tax rates introduced in February 1995.

Non-tax revenue was up $0.3 billion, or 5.0 per cent, in part reflecting the net gain to the government from its sale of Petro Canada shares and Canadian National Railways. Proceeds from the sale of government assets in excess of book value are credited to the deficit.

Budgetary expenditures up due to higher interest rates

Over the period April 1995 to March 1996, total budgetary expenditures were up 0.6 per cent, or $0.8 billion, on a year-over-year basis, as higher public debt charges (up $4.7 billion) more than offset the decline in program spending (down $3.9 billion).

- The increase in public debt charges reflects both the increase in the gross stock of debt, or interest-bearing debt, and the lagged impact of higher interest rates over the March 1994 to April 1995 period.
- However, the year-over-year increase in public debt charges has moderated in recent months due to the general downward trend in interest rates since April 1995.

Program spending lower

Program spending declined by $3.9 billion, or 3.4 per cent in the April 1995 to March 1996 period, compared to the same period in 1994-95. This decline primarily reflects the impact of the 1994 and 1995 budget measures:

- lower spending on defence, and operating and capital by the non-defence departments, reflecting the impact of restraint measures;
- lower unemployment insurance benefits, down 9.6 per cent, reflecting the impact of improving labour market conditions and the effect of recent budget measures; and
- lower transfer payments in the "other" component, reflecting the impact of budget restraint measures. Most departmental transfers were lower with the exception of transfers under the Indian and Inuit programs and for regional development. The increase in regional development transfers was due to spending under the Canada Infrastructure Works Agreements.

In contrast, payments to the elderly were up 2.5 per cent, reflecting increases in the eligible population and higher monthly benefits as the latter are indexed to quarterly changes in the Consumer Price Index. Transfers to other levels of government, including Equalization, Established Programs Financing and Canada Assistance Plan, were up slightly, as higher Equalization payments, which grow roughly in line with the growth in the economy offset declines in Established Programs Financing and Canada Assistance Plan transfers, reflecting the impact of budget measures. Payments to Crown corporations were higher, primarily due to higher payments to the Canadian Broadcasting Corporation and to the Canada Mortgage and Housing Corporation.

Budgetary expenditures 1994-95 and 1995-96

April to March
Year-over-year growth

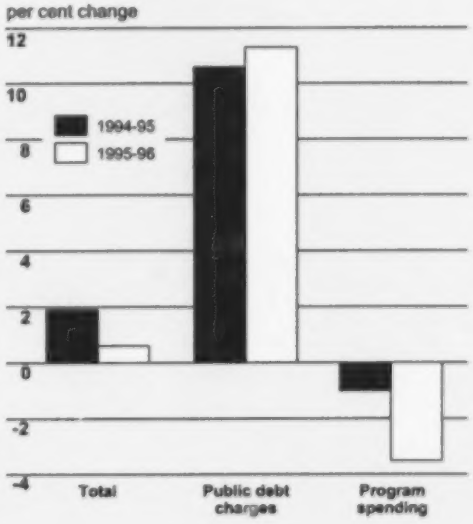


Table 3

Budgetary expenditures

	March		April to March		
	1995	1996	1994-95	1995-96	Per cent change
	(millions of dollars)				(%)
Transfer payments to:					
Persons					
Elderly benefits	1,732	1,781	20,514	21,023	2.5
Unemployment insurance benefits	1,480	1,403	14,863	13,441	-9.6
Veterans' pensions/allowances	122	115	1,436	1,386	-3.6
Total	3,334	3,299	36,814	35,849	-2.6
Other levels of government					
Established Programs Financing	1,172	719	10,004	9,609	-3.9
Fiscal transfers	977	1,000	9,584	10,164	6.1
Canada Assistance Plan	354	288	7,279	7,148	-1.8
Total	2,503	2,006	26,867	26,921	0.2
Other					
Agricultural subsidies	78	125	842	670	-18.7
Indian and Inuit programs	211	188	3,166	3,316	4.7
Regional development	93	92	462	611	32.3
Science and Technology	154	173	1,369	1,286	-6.1
International assistance	679	275	2,323	1,781	-23.3
Other	666	501	6,074	5,200	-14.4
Total	1,882	1,354	14,218	12,864	-9.5
Total transfers	7,719	6,659	77,897	75,634	-2.9
Payments to Crown corporations					
Canadian Broadcasting Corporation	38	73	1,089	1,171	7.5
Canada Mortgage and Housing Corporation	185	193	1,865	1,981	6.2
Other	72	167	1,329	1,448	9.0
Total	295	433	4,282	4,600	7.4
Operating and capital expenditures					
Defence	968	871	9,970	9,362	-6.1
All other departmental expenditures	1,853	1,733	17,972	16,629	-7.5
Total	2,821	2,604	27,942	26,005	-6.9
Total program expenditures	10,835	9,696	110,121	106,239	-3.5
Public debt charges	3,874	3,991	41,925	46,654	11.3
Total budgetary expenditures	14,709	13,687	152,046	152,893	0.6

Table 4

The deficit and financial requirements

	March		April to March	
	1995	1996	1994-95	1995-96
	(millions of dollars)			
Deficit/Surplus	-3,175	-1,076	-31,093	-24,357
Loans, investments and advances				
Crown corporations	-85	-189	1,125	3,367
Other	-78	-64	-697	-321
Total	-163	-253	428	3,046
Specified purpose accounts				
Canada Pension Plan Account	425	435	692	254
Superannuation accounts	2,346	2,441	8,094	8,275
Other	40	210	212	506
Total	2,811	3,086	8,998	9,035
Other transactions	-1,386	-3,510	-3,956	-4,640
Total non-budgetary transactions	1,262	-677	5,470	7,441
Financial requirements (excluding foreign exchange transactions)	-1,913	-1,753	-25,623	-16,916

Table 5

Financial requirements, foreign exchange and unmatured debt transactions

	March		April to March	
	1995	1996	1994-95	1995-96
	(millions of dollars)			
Financial requirements (-) / Source (+) (excluding foreign exchange)	-1,913	-1,753	-25,623	-16,916
Foreign exchange transactions				
Net international reserves	925	-3,182	-1,333	-4,738
Unmatured debt transactions payable in foreign currencies	517	2,053	6,167	-125
Total	1,442	-1,129	4,835	-4,863
Total financial requirements/Source	-471	-2,882	-20,788	-21,779
Unmatured debt transactions				
Marketable bonds	-2,825	353	24,966	28,561
Canada Savings Bonds	-706	-279	146	31
Treasury bills	3,750	5,700	-1,550	1,650
Other	519	2,249	3,388	-1,761
Subtotal	738	8,023	26,950	28,481
Less:				
Government's holding of unmatured debt	115	132	-28	39
Unmatured debt transactions payable in foreign currency	-517	-2,053	-6,168	125
Subtotal	-402	-1,921	-6,196	164
Total unmatured debt transactions payable in Canadian dollars	333	6,102	20,754	28,645
Change in cash balance	-138	3,220	-34	6,866

Table 6

Cash, unmatured debt and debt balances: at December 31

	1995	1996
	(millions of dollars)	
Cash balances at end of period		
In Canadian dollars	1,817	8,468
In foreign currencies	287	290
Total cash balance	2,104	8,758
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	225,640	252,613
Canada Savings Bonds	31,477	31,417
Treasury bills	164,450	166,100
Other	3,489	3,478
Subtotal	425,056	453,608
Less:		
Government's holdings of unmatured debt	994	955
Total	424,062	452,653
Payable in foreign currencies		
Marketable bonds	7,789	9,501
Notes and loans	0	310
Canada bills	9,046	6,985
Subtotal	16,835	16,796
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	440,897	469,449

Financial requirements lower

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements – for the fiscal year as a whole – are lower than the deficit, as they also include the net source of funds from non-budgetary transactions. The latter includes transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in the April 1995 to March 1996 period resulted in a net source of funds amounting to $7.4 billion, compared to a net source of $5.5 billion recorded in the corresponding period of 1994-95. Part of the higher net source of funds in 1995-96 was attributable to the cash proceeds resulting from the sale of Petro Canada and Canadian National Railways.

As a result, financial requirements, excluding foreign exchange transactions, amounted to $16.9 billion in 1995-96, down $8.6 billion from that recorded in 1994-95.

The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

In 1995-96, foreign exchange transactions provided a net requirement of funds amounting to $4.9 billion, compared to a net source of funds amounting to $4.8 billion in 1994-95.

Table 7

Debt Servicing and Reduction Account

	1991-92	1992-93	1993-94	1994-95	April to March 1995-96
			(millions of dollars)		
Gross GST collected	29,564	30,516	32,652	36,715	36,600
Less:					
Refunds and rebates	11,330	12,138	14,271	17,112	18,458
Quarterly low-income tax credit	2,262	2,503	2,685	2,816	2,842
Net GST	15,168	14,868	15,696	16,787	15,299
GST penalties and interest received	19	71	90	129	
Gains from wind-up of interest in Crown Corporations/disposal of shares in Crown corporations	2	110			500
Gifts to the Crown	0.4	0.1	0.2	0.5	0.2
Proceeds to the DSRA	15,190	15,050	15,786	16,916	15,799

Figures for 1991-92, 1992-93, 1993-94 and 1994-95 are from the *Public Accounts of Canada*.

As a result, total financial requirements, including foreign exchange transactions, were $21.8 billion in 1995-96, up $1.0 billion from the net requirement in 1994-95.

To finance these requirements, the government borrows from the private sector and/or draws down its cash reserves. Total borrowings from the private sector (unmatured debt transactions) amounted to $28.6 billion in 1995-96, up $7.9 billion from that borrowed on financial markets during 1994-95. Cash balances, as of March 31, 1996, stood at $8.8 billion, compared to $2.1 billion at March 31, 1995.

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account received Royal Assent. As a result, effective April 1, 1991, all Goods and Services Tax revenue net of the applicable input tax credits, rebates, and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction must, by law, go directly to the Debt Servicing and Reduction Account. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

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May 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for April 1996

Deficit declines $1.3 billion in April 1996

The deficit in April 1996 was estimated at $4.1 billion, down $1.3 billion from April 1995. Most of the year-over-year decline in the deficit was attributable to higher revenues, up $1.1 billion, or 16.2 per cent. In addition, both program spending and public debt charges were lower than in April 1995.

- The increase in budgetary revenues was primarily due to a $0.7 billion increase in personal income tax collections. Most of this increase was due to the timing of the receipt of taxes paid relating to taxation year 1995. The filing date for taxation year 1995 was April 30, 1996 whereas for taxation year 1994, it was May 1, 1995.
- Net GST collections were up $0.3 billion in April 1996 over April 1995. However, net collections in the month were a negative $16 million. Net collections are the lowest in April of each year. This is largely due to the fact that most GST collections are due at the end of each month but normally not deposited in the government's bank accounts until the first few days of the following month. During the course of the year, these monies are reported in the month in which they are received. However, the monies remitted with respect to March, but not received until April, are credited to the previous fiscal year, thereby dampening overall collections in April. In addition, the low-income GST credit is paid in April, thereby further dampening net collections in that month.
- Employment insurance premiums were down by $0.1 billion, reflecting the decline in premium rates and the maximum earnings base to which premiums are applied.

Program spending declined by $0.1 billion, or 0.9 per cent. Declines were recorded in transfers to other levels of government, expenditures on Crown corporations and in defence. These reductions reflect actions taken in previous budgets. Dampening the impact of these declines were increased spending on elderly and employment insurance benefits, other transfers and in all other non-defence departmental spending. With the exception of the increase in elderly benefits (due to an increase in the population base and higher average monthly benefits), the increases in the other components primarily reflect timing factors, which should be reversed in coming months.

Public debt charges were down $0.1 billion, or 3 per cent, in April 1996 compared to April 1995. This decline reflects the impact of lower interest rates, witnessed since April 1995. Sluggish economic growth, low inflation and fiscal restraint by all levels of government have put downward pressure on rates, especially short-term interest rates.

Table 1

Summary statement of financial transactions[1]

	April	
	1995	1996
	(in millions of dollars)	
Budgetary transactions		
Revenues	6,588	7,653
Program spending	-8,045	-7,971
Operating balance	-1,457	-318
Public debt charges	-3,855	-3,741
Deficit	-5,312	-4,059
Non-budgetary transactions	-255	-328
Financial requirements (excluding foreign exchange transactions)	-5,567	-4,387
Foreign exchange transactions	-4,553	-1,334
Financial requirements	-10,120	-5,721
Unmatured debt transactions	8,732	-921

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	April	
	1995	1996
	(in millions of dollars)	
Income taxes		
Personal income tax	3,830	4,528
Corporate income tax	503	550
Other income tax revenue	158	126
Total income tax	4,491	5,204
Employment insurance contributions	1,602	1,488
Excise taxes and duties		
Goods and Services Tax	-347	-16
Customs import duties	174	94
Sales and excise taxes	346	375
Total excise taxes/duties	173	453
Total tax revenues	6,266	7,145
Non-tax revenues	322	508
Total budgetary revenues	6,588	7,653

Table 3

Detailed statement of budgetary transactions – Expenditures

	April	
	1995	1996
	(in millions of dollars)	
Transfer payments to:		
Persons		
Elderly benefits	1,655	1,705
Employment insurance benefits	1,137	1,283
Other	112	109
Total	2,904	3,097
Other levels of government		
Canada Health and Social Transfer	1,621	1,254
Fiscal transfers	1,002	977
Alternative payments for standing programs	-163	-167
Total	2,460	2,064
Other		
Agricultural	9	
Indians and Inuit	644	693
Regional development		
Science and technology	52	50
International assistance	93	82
Other	225	290
Total	1,023	1,115
Total transfers	6,387	6,276
Payments to Crown corporations	489	399
Operating and capital expenditures		
Defence	398	392
All other departmental expenditures	771	904
Total	1,169	1,296
Total program spending	8,045	7,971
Public debt charges	3,855	3,741
Total budgetary expenditures	11,900	11,712

Table 4

Non-budgetary transactions

	April	
	1995	1996
	(in millions of dollars)	
Loans, investments and advances		
Crown corporations	18	58
Other	-354	-37
Total	-336	21
Specified purpose accounts		
Canada Pension Plan Account	557	532
Superannuation accounts	-143	-163
Other	37	-72
Total	451	297
Other transactions	-370	-646
Total non-budgetary transactions	-255	-328

Table 5

Foreign exchange and unmatured debt transactions

	Avril	
	1995	1996
	(in millions of dollars)	
Foreign exchange transactions		
Net international reserves	-3,092	-1,906
Unmatured debt transactions payable in foreign currencies	-1,461	572
Total	-4,553	-1,334
Unmatured debt transactions		
Marketable bonds	3,050	2,800
Canada Savings Bonds	-452	-270
Treasury bills	6,000	-3,600
Other	-1,462	571
Subtotal	7,136	-499
Less:		
Government's holding of unmatured debt	135	150
Unmatured debt transactions payable in foreign currencies	1,461	-572
Subtotal	1,596	-422
Total unmatured debt transactions payable in Canadian dollars	8,732	-921

Table 6

Cash, unmatured debt and debt balances

	at April 30	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	537	1,896
In foreign currencies	173	20
Total cash balance	710	1,916
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	228,690	255,565
Canada Savings Bonds	31,035	31,158
Treasury bills	170,450	162,500
Other	3,487	3,477
Subtotal	433,662	452,700
Less:		
Government's holdings of unmatured debt	855	802
Total	432,807	451,898
Payable in foreign currencies		
Marketable bonds	7,793	9,501
Notes and loans	0	611
Canada bills	7,585	6,947
Subtotal	15,378	17,059
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	448,185	468,957

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July 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for May 1996

Deficit declines $0.5 billion in May 1996

The deficit in May 1996 was estimated at $0.6 billion, down $0.5 billion from May 1995.

- The year-over-year improvement in the deficit was primarily attributable to a decline in program spending.
- Program spending declined 5.3 per cent, or $0.5 billion.
  - All major components of program spending were lower in May 1996, compared with May 1995, with the exception of payments to Crown corporations. The year-over-year declines reflected the impact of the restraint measures introduced in the 1994 and 1995 budgets. The increase in payments to Crown corporations primarily reflects the timing of payments to the Canada Mortgage and Housing Corporation and to the Canadian Broadcasting Corporation.
- Budgetary revenues were up slightly in May 1996 compared to May 1995 (up 0.1 per cent). This relatively weak increase in revenues, compared to previous months, was due to the filing date for personal income tax returns. As noted in the April 1996 *Fiscal Monitor*, the filing date for taxation year 1995 was April 30, 1996, whereas for taxation year 1994, it was May 1, 1995. As a result, taxes paid on filing were higher in April 1996 than in April 1995 while taxes paid on filing in May 1996 were lower than in May 1995. Over the two-month period – April 1996 and May 1996 – taxes paid on filing were higher than in the same period a year ago.
- For the second consecutive month, public debt charges were lower on a year-over-year basis, due to the decline in interest rates witnessed since April 1995.

Deficit for April 1996 and May 1996 down by $1.7 billion

Over the first two months of the fiscal year, the deficit, at $4.6 billion, was $1.7 billion lower than in the same period in 1995-96.

- Budgetary revenues were up $1.1 billion or 6.0 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 7.0 per cent, or $0.8 billion) and higher excise taxes and duties (up 7.2 per cent). Employment insurance contributions declined (down 7.2 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base to which premiums are calculated.
- Program spending declined by $0.5 billion or 3.2 per cent, as lower expenditures were reported among all major components with the exception of transfers to persons. The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down $0.1 billion, or 1.8 per cent. This reflects declines in interest rates, especially short-term rates. Fiscal restraint by the federal and provincial governments, continued low inflation and moderate wage growth have provided the necessary conditions for interest rates to come down.

Table 1

Summary statement of financial transactions[1]

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Budgetary transactions				
Revenues	11,409	11,424	17,997	19,076
Program spending	-8,600	-8,147	-16,646	-16,118
Operating balance	2,809	3,277	1,351	2,958
Public debt charges	-3,882	-3,859	-7,737	-7,600
Deficit	-1,073	-582	-6,386	-4,642
Non-budgetary transactions	725	661	470	335
Financial requirements (excluding foreign exchange transactions)	-348	79	-5,916	-4,307
Foreign exchange transactions	2,382	954	-2,171	-380
Financial requirements	2,034	1,033	-8,087	-4,687
Unmatured debt transactions	1,048	42	9,780	-880

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Income taxes				
Personal income tax	5,680	5,612	9,510	10,140
Corporate income tax	1,009	1,097	1,513	1,647
Other income tax revenue	87	145	245	270
Total income tax	6,776	6,854	11,268	12,057
Employment insurance contributions	1,641	1,521	3,243	3,010
Excise taxes and duties				
Goods and Services Tax	1,601	1,664	1,254	1,648
Customs import duties	228	170	402	264
Sales and excise taxes	748	795	1,093	1,171
Total excise taxes/duties	2,577	2,629	2,749	3,083
Total tax revenues	10,994	11,004	17,260	18,150
Non-tax revenues	415	420	737	926
Total budgetary revenues	11,409	11,424	17,997	19,076

Table 3

Detailed statement of budgetary transactions – Expenditures

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,735	1,800	3,390	3,505
Employment insurance benefits	1,188	1,129	2,325	2,412
Other	120	116	232	225
Total	3,043	3,045	5,947	6,142
Other levels of government				
Canada Health and Social Transfer	1,555	1,254	3,174	2,508
Fiscal transfers	551	772	1,553	1,749
Alternative Payments for Standing Programs	-163	-169	-326	-336
Total	1,943	1,857	4,401	3,921
Other				
Agricultural	14	51	23	51
Indians and Inuit	254	196	899	890
Regional development	–	–	–	–
Science and technology	78	32	131	83
International assistance	83	77	176	159
Other	519	434	744	724
Total	948	790	1,973	1,907
Total transfers	5,934	5,692	12,321	11,970
Payments to Crown corporations	247	308	735	707
Operating and capital expenditures				
Defence	837	638	1,235	1,030
All other departmental expenditures	1,582	1,509	2,355	2,411
Total	2,419	2,147	3,590	3,441
Total program spending	8,600	8,147	16,646	16,118
Public debt charges	3,882	3,859	7,737	7,600
Total budgetary expenditures	12,482	12,006	24,383	23,718

Table 4

Non-budgetary transactions

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	-65	-26	-47	32
Other	3	-72	-351	-110
Total	-62	-98	-398	-78
Specified purpose accounts				
Canada Pension Plan Account	740	754	1,296	1,286
Superannuation accounts	-170	-209	-313	-371
Other	-24	17	14	-53
Total	546	562	997	862
Other transactions	241	197	-129	-449
Total non-budgetary transactions	725	661	470	335

Table 5

Foreign exchange and unmatured debt transactions

	May		April to May	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	4,247	905	1,155	-1,001
Unmatured debt transactions payable in foreign currencies	-1,865	49	-3,326	621
Total	2,382	954	-2,171	-380
Unmatured debt transactions				
Marketable bonds	3,565	500	6,615	3,300
Canada Savings Bonds	-430	-286	-882	-556
Treasury bills	-2,250	-300	3,750	-3,900
Other	-1,866	48	-3,328	619
Subtotal	-981	-38	6,155	-537
Less:				
Government's holding of unmatured debt	164	129	299	278
Unmatured debt transactions payable in foreign currencies	1,865	-49	3,326	-621
Subtotal	2,029	80	3,625	-343
Total unmatured debt transactions payable in Canadian dollars	1,048	42	9,780	-880

Table 6

Cash, unmatured debt and debt balances

	at May 31	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	3,563	2,981
In foreign currencies	24	6
Total cash balance	3,587	2,987
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	232,255	256,065
Canada Savings Bonds	30,504	30,872
Treasury bills	168,200	162,200
Other	3,486	3,476
Subtotal	434,445	452,613
Less:		
Government's holdings of unmatured debt	692	672
Total	433,753	451,941
Payable in foreign currencies		
Marketable bonds	7,875	9,501
Notes and loans	0	922
Canada bills	5,720	6,996
Subtotal	13,595	17,419
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	447,348	469,360

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July 1996

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for June 1996

Deficit $1.9 billion lower in June 1996

The deficit for June 1996 was estimated at $0.7 billion, down $1.9 billion from June 1995.

- This year-over-year improvement was attributable to higher budgetary revenues (up 7.7 per cent) coupled with lower program spending (down 11.1 per cent) and public debt charges (down 3.1 per cent).

Deficit for April 1996 to June 1996 down by $3.7 billion

Over the three-month period (April to June), the deficit stood at $5.3 billion, down $3.7 billion from the same period in 1995-96.

- Budgetary revenues were up $1.9 billion or 6.6 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 9.6 per cent), in excise taxes and duties (5.1 per cent) and in non-tax revenues (up 26 per cent), dampened by a decline in employment insurance premiums (down 7.1 per cent).
- Program spending was down $1.5 billion or 6.0 per cent, primarily reflecting the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down by $0.3 billion, or 2.2 per cent. This reflects declines in interest rates, especially short-term rates. Fiscal restraint by federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

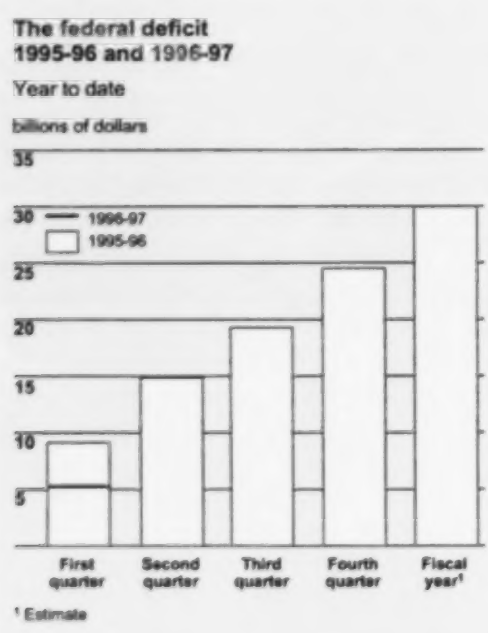
About half of the year-over-year improvement in the deficit in the first three months of 1996-97 was attributable to developments unique to the first quarter. Therefore, the results to date cannot be used to extrapolate what the deficit outcome will be for the year as a whole. However, properly accounting for these one-time factors, the deficit results to date are consistent with the March 1996 budget estimate of the deficit for 1996-97 of $24.3 billion, or 3 per cent of GDP. The Minister of Finance will be providing an assessment of current economic developments and their impact on the deficit outlook for 1996-97 early in the fall.

Table 1

Summary statement of transactions

	June		April to June	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Budgetary transactions				
Revenues	10,402	11,200	28,399	30,276
Program spending	-9,010	-8,009	-25,657	- 24,127
Operating surplus	1,392	3,191	2,742	6,149
Public debt charges	-3,963	-3,844	-11,699	-11,444
Deficit/Surplus	-2,571	-653	-8,957	- 5,295
Non-budgetary transactions	-2,246	-1,692	-1,776	-1,366
Financial requirements/source (excluding foreign exchange transactions)	-4,817	-2,345	-10,733	- 6,661
Foreign exchange transactions	1,544	1,196	-627	815
Total financial requirements	-3,273	-1,149	-11,360	-5,846
Unmatured debt transactions	1,981	552	11,761	-328

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.



Budgetary revenues up

On a year-over-year basis, budgetary revenues over the April 1996 to June 1996 period increased by $1.9 billion (6.6 per cent). This increase was largely attributable to higher income tax collections, up $1.7 billion. Lower employment insurance premiums were offset by increases in the other revenue components. However, about $1.2 billion of the growth in revenues was attributable to factors applicable to the April to June 1996 period. As such, the current pace of revenue growth is not expected to continue over the balance of the fiscal year.

Personal income tax collections were up $1.6 billion, or 11.2 per cent, on a year-over-year basis. About half of this increase was attributable to higher taxes paid on filing, net of refunds, pertaining to the 1995 taxation year. The deadline for filing personal income returns is usually April 30. The taxes received at that time, therefore, affect the first quarter financial results.

Table 2

Budgetary revenues

	June		April to June		
	1995	1996	1995-96	1996-97	Per cent change
	(millions of dollars)				(%)
Income taxes					
Personal income tax	4,793	5,759	14,303	15,899	11.2
Corporate income tax	1,216	1,118	2,728	2,765	1.4
Other	97	114	342	385	12.6
Total income tax	6,106	6,991	17,373	19,049	9.6
Employment insurance contributions	1,684	1,566	4,927	4,575	-7.1
Excise taxes and duties					
Goods and Services Tax	1,337	1,208	2,592	2,856	10.2
Customs import duties	240	216	642	480	-25.2
Other excise taxes/duties	605	675	1,698	1,846	8.7
Total excise taxes and duties	2,182	2,098	4,932	5,182	5.1
Total tax revenue	9,972	10,655	27,232	28,806	5.8
Non-tax revenue	430	545	1,167	1,470	26.0
Total budgetary revenues	10,402	11,200	28,399	30,276	6.6

Corporate income tax collections increased slightly, as continued strong advances in installment payments were nearly offset by higher refunds.

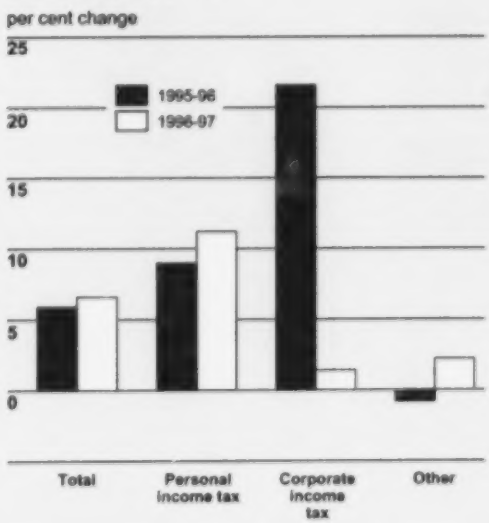
Employment insurance premium contributions declined by $0.4 billion, due to lower premium rates in 1996 and the lowering of the applicable earnings base effective January 1996 to which premiums are calculated.

Total excise taxes and duties were up $0.1 billion:

- Net GST collections were up 10.2 per cent, or $0.3 billion, on a year-over-year basis. All of this increase occurred in April 1996, reflecting abnormally low collections in April 1995, rather than strength in collections in April 1996. On a year-over-year basis, net collections were lower in both May and June, reflecting the weakness in retail sales.

Budgetary revenues
1995-96 and 1996-97

April to June
Year-over-year growth



- Customs import duties declined 25.2 per cent, in part reflecting reductions in tariffs under the Canada-United States Free Trade Agreement.
- Other excise taxes and duties were up 8.7 per cent, in part reflecting higher Air Transport taxes, which effective April 1996 are included as part of budgetary revenues instead of being netted against program spending, as in previous years.

Budgetary expenditures down

Over the period April 1996 to June 1996, total budgetary expenditures, which include both public debt charges and program spending, were down 4.8 per cent, or $1.8 billion. This decline was due to both lower public debt charges and program spending.

Public debt charges were down $0.3 billion or 2.2 per cent. This decline reflected lower interest rates, especially short-term rates. Fiscal restraint by federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

Program spending declined by $1.5 billion, or 6.0 per cent in the April 1996 to June 1996 period, compared to the same period in 1995-96. This decline primarily reflects the impact of the 1994 and 1995 budget measures to reduce and restructure federal government spending. However, the quarterly year-over-year decline somewhat overstates the decline in program spending expected for the year as a whole. This reflects the timing of the restraint measures, especially those affecting transfers to other levels of governments.

The year-over-year percentage change in cash transfers to other levels of government (-18.4 per cent) overstates the expected reduction for the year as a whole. This is due to the manner in which the restraint on Canada Assistance Plan transfers to Ontario, Alberta, and British Columbia was put in place in the past. In 1995-96, the federal government continued to pay provincial claims under the Canada Assistance Plan to these provinces until the cap on annual transfers was reached, which did not occur until late in the fiscal year. However, under the CHST, provinces are paid in equal monthly instalments.

Among the other major components of program spending, transfers to persons were down 2.6 per cent in the first quarter of 1996-97, as lower employment insurance benefit transfers and veterans' pensions and allowance more than offset increased elderly benefit transfers. Other transfer payments, payments to Crown corporations and defence were also lower, reflecting the impact of expenditure restraint. All other departmental expenditures were up slightly, due to the timing of payments.

Budgetary expenditures 1995-96 and 1996-97

April to June
Year-over-year growth

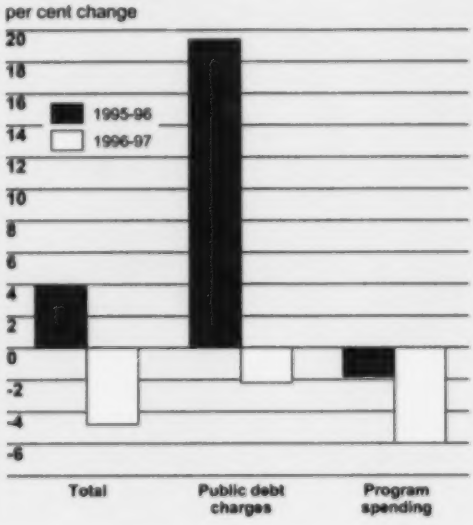


Table 3

Budgetary expenditures

	June		April to June		
	1995	1996	1995-96	1996-97	Per cent change
	(millions of dollars)				(%)
Transfer payments to:					
Persons					
Elderly benefits	1,745	1,791	5,135	5,296	2.5
Employment insurance benefits	958	853	3,283	3,265	-9.6
Veterans' pensions/allowances	119	111	351	335	-3.6
Total	2,822	2,755	8,769	8,896	-2.6
Other levels of government					
Canada Health and Social Transfer	1,861	1,254	5,033	3,762	-25.3
Fiscal transfers	1,103	872	2,656	2,621	-1.3
Alternative payments for standing programs	-163	-169	-488	-505	3.5
Total	2,801	1,957	7,201	5,877	-18.4
Other					
Agricultural subsidies	6	15	30	66	120.0
Indian and Inuit programs	255	277	1,154	1,167	1.1
Regional development	15	17	31	37	20.9
Science and Technology	75	97	205	180	-12.2
International assistance	100	115	276	274	-0.7
Other	469	383	1,197	1,088	-9.0
Total	920	985	2,893	2,813	-2.8
Total transfers	6,543	5,618	18,863	17,587	-6.8
Payments to Crown corporations					
Canadian Broadcasting Corporation	82	65	354	298	-15.8
Canada Mortgage and Housing Corporation	163	177	429	451	5.0
Other	99	103	289	303	1.8
Total	345	345	1,081	1,052	-2.7
Operating and capital expenditures					
Defence	809	734	2,044	1,764	-13.7
All other departmental expenditures	1,313	1,312	3,669	3,724	1.5
Total	2,122	2,046	5,713	5,488	-3.9
Total program expenditures 9,010		8,009	25,657	24,127	-6.0
Public debt charges	3,963	3,844	11,699	11,444	-2.2
Total budgetary expenditures	12,973	11,853	37,356	35,571	-4.8

Table 4

The deficit and financial requirements

	June		April to June	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Deficit/Surplus	-2,571	-653	-8,957	-5,295
Loans, investments and advances				
Crown corporations	111	113	64	164
Other	-179	-118	-529	-227
Total	-68	15	-465	-63
Specified purpose accounts				
Canada Pension Plan Account	21	-139	1,318	1,147
Superannuation accounts	2,339	2,476	2,026	2,105
Other	-19	13	-6	-40
Total	2,341	2,350	3,338	3,212
Other transactions	-4,519	-4,057	-4,649	-4,515
Total non-budgetary transactions	-2,246	-1,692	-1,776	-1,366
Financial requirements (excluding foreign exchange transactions)	-4,817	-2,345	-10,733	-6,661

Table 5

Financial requirements, foreign exchange and unmatured debt transactions

	June		April to June	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Financial requirements (-) / Source (+) (excluding foreign exchange)	-4,817	-2,345	-10,733	- 6,661
Foreign exchange transactions				
Net international reserves	-91	-1,448	1,064	446
Unmatured debt transactions payable in foreign currencies	1,635	-252	-1,691	369
Total	1,544	-1,196	-627	815
Total financial requirements/Source	-3,273	-1,149	-11,360	-5,846
Unmatured debt transactions				
Marketable bonds	3,953	3,828	10,568	7,128
Canada Savings Bonds	-384	245	-1,266	-801
Treasury bills	-3	-3,700	3,747	-7,600
Other	-90	273	-3,418	891
Subtotal	3,476	156	9,631	-382
Less:				
Government's holding of unmatured debt	140	144	439	423
Unmatured debt transactions payable in foreign currency	-1,635	252	1,691	-369
Subtotal	-1,495	396	2,130	54
Total unmatured debt transactions payable in Canadian dollars	1,981	552	11,761	-382
Change in cash balance	-1,292	-597	401	-6,174

Table 6

Cash, unmatured debt and debt balances: at June 30

	1995	1996
	(millions of dollars)	
Cash balances at end of period		
In Canadian dollars	2,289	2,358
In foreign currencies	5	23
Total cash balance	2,294	2,381
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	234,155	259,893
Canada Savings Bonds	30,120	30,627
Treasury bills	168,197	158,500
Other	3,814	4,000
Subtotal	436,286	453,020
Less:		
Government's holdings of unmatured debt	552	527
Total	435,734	452,493
Payable in foreign currencies		
Marketable bonds	9,929	9,501
Notes and loans	0	921
Canada bills	5,302	6,744
Subtotal	15,231	17,166
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	450,965	469,659

Financial requirements lower

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements – for the fiscal year as a whole – are lower than the deficit, as they also include the non-budgetary transactions. The latter includes transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in the April 1996 to June 1996 period resulted in a net requirement for funds amounting to $1.4 billion, compared to a net requirement of $1.8 billion recorded in the corresponding period of 1995-96.

As a result, financial requirements, excluding foreign exchange transactions, amounted to $6.7 billion in 1996-97, down $4.1 billion from that recorded in 1995-96.

The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

In the first three months of 1996-97 foreign exchange transactions provided a net source of funds amounting to $0.8 billion, compared to a net requirement of funds amounting to $0.6 billion in the comparable period last year.

As a result, total financial requirements, including foreign exchange transactions, were $5.8 billion in 1996-97, down $5.5 billion from the net requirement in 1995-96.

To finance these requirements, the government borrows from the private sector and/or draws down its cash reserves. In the first three months of 1996-97, the government reduced its borrowings from the private sector (unmatured debt transactions) by $0.4 billion, compared to new borrowings of $11.8 billion over the same period in 1995-96.

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account received Royal Assent. As a result, effective April 1, 1991, all Goods and Services Tax revenue net of the applicable input tax credits, rebates, and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction must, by law, go directly to the Debt Servicing and Reduction Account. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

Table 7

Debt Servicing and Reduction Account

	1991-92	1992-93	1993-94	1994-95	April to March 1995-96	April to June 1996-97
			(millions of dollars)			
Gross GST collected	29,564	30,516	32,652	36,715	36,600	8,041
Less:						
Refunds and rebates	11,330	12,138	14,271	17,112	18,458	4,463
Quarterly low-income tax credit	2,262	2,503	2,685	2,816	2,842	722
Net GST	15,168	14,868	15,696	16,787	15,299	2,855
GST penalties and interest received	19	71	90	129		
Gains from wind-up of interest in Crown Corporations/disposal of shares in Crown corporations	2	110			500	
Gifts to the Crown	0.4	0.1	0.2	0.5	0.2	
Proceeds to the DSRA	15,190	15,050	15,786	16,916	15,799	2,855

Figures for 1991-92, 1992-93, 1993-94 and 1994-95 are from the *Public Accounts of Canada*.

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August 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for July 1996

Deficit declines $0.5 billion in July 1996

The deficit in July 1996 was estimated at $1.2 billion, down $0.5 billion from July 1995.

- The year-over-year improvement in the deficit was primarily attributable to higher revenues.
- Budgetary revenues were up $0.5 billion, or 5.2 per cent.
  - Higher collections were reported for corporate income tax, the Goods and Services Tax and for non-tax revenues.
  - Personal income taxes were lower than in July 1995, primarily reflecting timing factors.
- Program spending and public debt charges were virtually unchanged, on a year-over-year basis.
  - Within program spending, declines were reported in transfers to other levels of government, Crown corporation expenditures and in defence spending, which were offset by increases in non-defence departmental operating and capital expenditures and certain subsidy and other transfer payments. The increases in program spending were attributable to the timing of payments and not indicative of the final outcome for the year as a whole.
  - Public debt charges were slightly lower in July 1996, reflecting declines in interest rates witnessed since April 1995.

Deficit for April 1996 to July 1996 down by $4.2 billion

Over the first four months of the fiscal year, the deficit, at $6.5 billion, was $4.2 billion lower than in the same period in 1995-96.

- Budgetary revenues were up $2.4 billion or 6.2 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 7.7 per cent, or $1.8 billion), higher excise taxes and duties (up 7.7 per cent), and higher non-tax revenues (up 34.5 per cent). Employment insurance contributions declined (down 7.1 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base to which premiums are calculated.
- Program spending declined by $1.5 billion or 4.2 per cent. The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down $0.3 billion, or 1.7 per cent. This decline reflects the decline in interest rates, especially short-term rates. Fiscal restraint by the federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

Table 1

Summary statement of financial transactions[1]

	July		April to July	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Budgetary transactions				
Revenues	10,581	11,129	38,980	41,405
Program spending	-8,245	-8,288	-33,902	-32,415
Operating balance	2,336	2,841	5,078	8,990
Public debt charges	-4,007	-3,996	-15,706	-15,440
Deficit	-1,671	-1,155	-10,628	-6,450
Non-budgetary transactions	1,860	1,835	86	469
Financial requirements (excluding foreign exchange transactions)	189	680	-10,542	-5,981
Foreign exchange transactions	-1,580	317	-2,206	1,133
Financial requirements	-1,391	997	-12,748	-4,848
Unmatured debt transactions	2,243	1,367	14,003	1,037

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	July		April to July	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Income taxes				
Personal income tax	5,269	5,105	19,572	21,004
Corporate income tax	1,092	1,400	3,820	4,165
Other income tax revenue	162	176	504	561
Total income tax	6,523	6,681	23,896	25,730
Employment insurance contributions	1,706	1,587	6,634	6,162
Excise taxes and duties				
Goods and Services Tax	1,150	1,262	3,742	4,118
Customs import duties	223	202	865	682
Sales and excise taxes	615	810	2,314	2,656
Total excise taxes/duties	1,987	2,274	6,921	7,456
Total tax revenues	10,217	10,542	37,451	39,348
Non-tax revenues	364	587	1,529	2,057
Total budgetary revenues	10,581	11,129	38,980	41,405

Table 3

Detailed statement of budgetary transactions – Expenditures

	July		April to July	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,749	1,760	6,884	7,056
Employment insurance benefits	905	916	4,188	4,181
Other	110	116	470	451
Total	2,773	2,792	11,542	11,688
Other levels of government				
Canada Health and Social Transfer	1,608	1,254	6,641	5,016
Fiscal transfers	798	881	3,454	3,502
Alternative Payments for Standing Programs	-163	-169	-651	-674
Total	2,243	1,966	9,444	7,844
Other				
Agricultural	26	116	55	182
Indians and Inuit	242	274	1,396	1,440
Regional development	17	24	48	62
Science and technology	51	43	356	222
International assistance	93	166	370	440
Other	305	415	1,502	1,503
Total	734	937	3,627	3,749
Total transfers	5,750	5,695	24,613	23,281
Payments to Crown corporations	337	295	1,418	1,347
Operating and capital expenditures				
Defence	785	742	2,828	2,505
All other departmental expenditures	1,373	1,556	5,043	5,282
Total	2,158	2,298	7,871	7,787
Total program spending	8,245	8,288	33,902	32,415
Public debt charges	4,007	3,996	15,706	15,440
Total budgetary expenditures	12,252	12,284	49,608	47,855

Table 4

Non-budgetary transactions

	July		April to July	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	392	387	456	551
Other	-70	-23	-599	-250
Total	322	364	-143	301
Specified purpose accounts				
Canada Pension Plan Account	-476	-506	842	641
Superannuation accounts	-167	-174	1,858	1,930
Other	-5	51	-9	11
Total	-648	-629	2,691	2,582
Other transactions	2,186	2,100	-2,462	-2,414
Total non-budgetary transactions	1,860	1,835	86	469

Table 5

Foreign exchange and unmatured debt transactions

	July		April to July	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-3,349	118	-2,285	565
Unmatured debt transactions payable in foreign currencies	1,769	199	79	568
Total	-1,580	317	-2,206	1,133
Unmatured debt transactions				
Marketable bonds	7,068	5,400	17,637	12,528
Canada Savings Bonds	-285	-252	-1,551	-1,053
Treasury bills	-3,248	-4,300	499	-11,900
Other	352	564	-3,066	1,455
Subtotal	3,887	1,412	13,519	1,030
Less:				
Government's holding of unmatured debt	125	154	563	575
Unmatured debt transactions payable in foreign currencies	-1,769	-199	-79	-568
Subtotal	-1,644	-45	484	7
Total unmatured debt transactions payable in Canadian dollars	2,243	1,367	14,003	1,037

Table 6

Cash, unmatured debt and debt balances

	at June 30	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	3,125	4,731
In foreign currencies	21	6
Total cash balance	3,146	4,734
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	239,355	265,293
Canada Savings Bonds	29,835	30,375
Treasury bills	164,949	154,200
Other	4,265	4,365
Subtotal	438,404	454,233
Less:		
Government's holdings of unmatured debt	428	375
Total	437,976	453,858
Payable in foreign currencies		
Marketable bonds	11,797	9,501
Notes and loans	0	921
Canada bills	5,203	6,943
Subtotal	17,000	17,365
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	454,976	471,223

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September 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for August 1996

Deficit declines $1.2 billion in August 1996

The deficit in August 1996 was estimated at $1.9 billion, down $1.2 billion from August 1995.

- The year-over-year improvement in the deficit was primarily attributable to lower program spending.
- Program spending was down $1.0 billion, or 10.7 per cent.
  - The decline in program spending primarily reflects the impact of the restraint measures announced in the 1994 and 1995 budgets.
- Public debt charges declined $0.2 billion on a year-over-year basis, reflecting declines in interest rates witnessed since April 1995.
- Budgetary revenues were virtually unchanged in August 1996, compared to August 1995, as higher personal and corporate income tax collections were largely offset by lower Goods and Services Tax (GST) collections.
  - The year-over-year decline in GST collections was due to the timing of receipts, as certain collections due at month-end were remitted in early September. Under GST legislation, some monthly remittances are due on the last day of the month. If that day falls on a weekend or holiday, the remittances are not due until the first business day of the next month. These remittance procedures should have no impact on the collections results for the year as a whole, as adjustments are made at year end to correct for timing differences.

Deficit for April 1996 to August 1996 down by $5.4 billion

Over the first five months of the fiscal year, the deficit, at $8.3 billion, was $5.4 billion lower than in the same period in 1995-96.

- Budgetary revenues were up $2.4 billion or 4.8 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 8.6 per cent, or $2.5 billion) and higher non-tax revenues (up 26.0 per cent or $0.5 billion). Employment insurance contributions declined (down 6.8 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base on which premiums are calculated. Excise taxes and duties were down 0.7 per cent or $0.1 billion. Declines in GST collections, due to the timing of receipts in August 1996, and in customs import duties more than offset increases in other excise taxes and duties.
- Program spending declined by $2.5 billion or 5.7 per cent. The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down $0.5 billion, or 2.6 per cent. This reflects the decline in interest rates, especially short-term rates. Fiscal restraint by the federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

The results to date cannot be used to extrapolate what the deficit outcome will be for the year as a whole, as part of the improvement to date is attributable to developments unique to the first quarter of 1996-97 and the manner in which certain restraint measures are being implemented. However, the deficit results to date clearly suggest that the deficit target for 1996-97 will be met.

Table 1

Summary statement of financial transactions[1]

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Budgetary transactions				
Revenues	10,046	9,992	49,026	51,398
Program spending	-9,169	-8,187	-43,070	-40,602
Operating balance	877	1,805	5,956	10,796
Public debt charges	-3,935	-3,688	-19,641	-19,128
Deficit	-3,058	-1,883	-13,685	-8,332
Non-budgetary transactions	925	1,257	1,011	1,728
Financial requirements (excluding foreign exchange transactions)	-2,133	-626	-12,674	-6,604
Foreign exchange transactions	-3,289	446	-5,496	1,579
Financial requirements	-5,422	-180	-18,170	-5,025
Unmatured debt transactions	5,110	-317	19,113	720

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Income taxes				
Personal income tax	4,044	4,573	23,616	25,577
Corporate income tax	759	873	4,579	5,038
Other income tax revenue	137	136	640	697
Total income tax	4,940	5,582	28,835	31,312
Employment insurance contributions	1,703	1,609	8,336	7,771
Excise taxes and duties				
Goods and Services Tax	1,945	1,323	5,687	5,441
Customs import duties	288	223	1,154	905
Sales and excise taxes	662	743	2,975	3,399
Total excise taxes/duties	2,895	2,289	9,816	9,745
Total tax revenues	9,538	9,480	46,987	48,828
Non-tax revenues	508	512	2,039	2,570
Total budgetary revenues	10,046	9,992	49,026	51,398

Table 3

Detailed statement of budgetary transactions – Expenditures

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,752	1,784	8,637	8,839
Employment insurance benefits	1,040	941	5,228	5,122
Other	118	112	588	563
Total	2,910	2,837	14,453	14,524
Other levels of government				
Canada Health and Social Transfer[1]	1,890	1,254	8,530	6,270
Fiscal transfers	743	830	4,197	4,332
Alternative Payments for Standing Programs	-163	-169	-814	-844
Total	2,470	1,915	11,913	9,758
Other				
Agricultural	20	61	75	243
Indians and Inuit	233	233	1,631	1,574
Regional development	43	36	105	127
Science and technology	132	130	389	352
International assistance	135	111	505	511
Other	573	146	2,059	1,618
Total	1,136	717	4,764	4,465
Total transfers	6,516	5,469	31,130	28,747
Payments to Crown corporations	310	308	1,727	1,655
Operating and capital expenditures				
Defence	839	849	3,667	3,355
All other departmental expenditures	1,504	1,561	6,546	6,845
Total	2,343	2,410	10,213	10,200
Total program spending	9,169	8,187	43,070	40,602
Public debt charges	3,935	3,688	19,641	19,128
Total budgetary expenditures	13,104	11,875	62,711	59,730

[1] Given the manner in which monthly CHST cash is calculated, the current decline is not indicative of the outcome for the year as a whole.

Table 4

Non-budgetary transactions

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	-120	58	336	609
Other	-2	1	-602	-249
Total	-122	59	-266	360
Specified purpose accounts				
Canada Pension Plan Account	-150	-305	692	336
Superannuation accounts	-130	-209	1,729	1,721
Other	25	56	16	69
Total	-255	-458	2,437	2,126
Other transactions	1,302	1,656	-1,160	-758
Total non-budgetary transactions	925	1,257	1,011	1,728

Table 5

Foreign exchange and unmatured debt transactions

	August		April to August	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-2,687	556	-4,972	1,121
Unmatured debt transactions payable in foreign currencies	-602	-110	-524	458
Total	-3,289	446	-5,496	1,579
Unmatured debt transactions				
Marketable bonds	3,922	100	21,559	12,628
Canada Savings Bonds	-297	-218	-1,847	-1,271
Treasury bills	1,351	-300	1,850	-12,200
Other	-603	-111	-3,670	1,344
Subtotal	4,373	-529	17,892	501
Less:				
Government's holding of unmatured debt	135	102	697	677
Unmatured debt transactions payable in foreign currencies	602	110	524	-458
Subtotal	737	212	1,221	219
Total unmatured debt transactions payable in Canadian dollars	5,110	-317	19,113	720

Table 6

Cash, unmatured debt and debt balances

	at August 31	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	2,692	4,207
In foreign currencies	142	31
Total cash balance	2,834	4,238
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	243,383	265,393
Canada Savings Bonds	29,539	30,157
Treasury bills	166,300	153,900
Other	4,264	4,364
Subtotal	443,486	453,814
Less:		
Government's holdings of unmatured debt	296	357
Total	443,190	453,457
Payable in foreign currencies		
Marketable bonds	11,796	9,514
Notes and loans	0	921
Canada bills	4,601	6,834
Subtotal	16,397	17,269
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	459,587	470,726

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October 1996

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for September 1996

Surplus of $1.3 billion reported in September 1996

A surplus of $1.3 billion was reported in September 1996, compared to a deficit of $1.0 billion in September 1995, representing an improvement in the federal fiscal situation of $2.3 billion.

- The year-over-year improvement reflected higher revenues (up 13.0 per cent or $1.5 billion), lower program spending (down 6.5 per cent or $0.6 billion) and lower public debt charges (down 6.0 per cent or $0.2 billion).

- Over half of the reported surplus in September 1996 was attributable to the timing of Goods and Services Tax (GST) collections. GST collections in August 1996 were weak, as certain collections due at month-end were remitted in early September and included in the September 1996 results.

Deficit for April 1996 to September 1996 down by $7.7 billion

Over the six-month period (April to September), the deficit stood at $7.0 billion, down $7.7 billion from the same period in 1995-96.

- Budgetary revenues were up $3.9 billion or 6.4 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 9.1 per cent), in excise taxes and duties (7.8 per cent) and in non-tax revenues (up 11.8%), dampened by a decline in employment insurance contributions (down 6.4 per cent).

- Program spending was down $3.0 billion or 5.8 per cent, primarily reflecting the impact of the restraint measures introduced in the 1994 and 1995 budgets.

- Public debt charges were down by $0.7 billion, or 3.2 per cent. This reflected declines in interest rates, especially short-term rates. Fiscal restraint by federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

As noted in *The Economic and Fiscal Update*, the results to date overstate the expected improvement in the deficit for the year as a whole. About $3.5 billion of the year-over-year improvement in the deficit to date was attributable to special factors, some of which will be reversed over the balance of the year. Nevertheless, the results to date clearly indicate that the 1996-97 deficit target of $24.3 billion will be met and possibly bettered.

Table 1

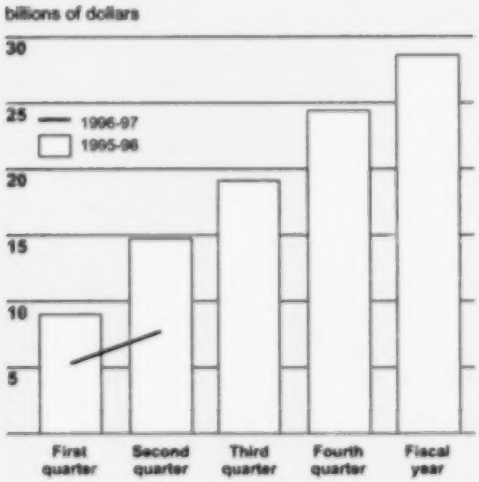
Summary statement of transactions

	September		April to September	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Budgetary transactions				
Revenues	11,657	13,176	60,683	64,574
Program spending	-8,780	-8,213	-51,849	-48,815
Operating surplus	2,877	4,963	8,834	15,759
Public debt charges	-3,869	-3,635	-23,511	-22,763
Deficit/Surplus	-992	1,328	-14,677	-7,004
Non-budgetary transactions	1,152	1,029	2,163	2,755
Financial requirements/source (excluding foreign exchange transactions)	160	2,357	-12,514	-4,249
Foreign exchange transactions	2,263	-999	-3,233	580
Total financial requirements	2,423	1,358	-15,747	-3,669
Unmatured debt transactions	2,033	-1,370	21,145	-650

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

The federal deficit
1995-96 and 1996-97

Year to date



Budgetary revenues up

On a year-over-year basis, budgetary revenues over the April 1996 to September 1996 period increased by $3.9 billion (6.4 per cent). This increase was attributable to higher income tax collections (up 8.3 per cent), excise taxes and duties (up 7.8 per cent) and non-tax revenues (up 11.8 per cent). In contrast, employment insurance premiums were lower (down 6.4 per cent). However, half of the growth in revenues to date was attributable to special factors as described below, which overstate the underlying trend in budgetary revenues.

About half of the increase in personal income tax collections was attributable to higher taxes paid on filing, net of returns, pertaining to the 1995 taxation year. The deadline for filing personal income returns is usually April 30th. The taxes received at that time, therefore, affect the first quarter financial results. In contrast, deductions from employment income, up about 2 per cent from last year, closely mirror the developments in employment and labour income.

Table 2

Budgetary revenues

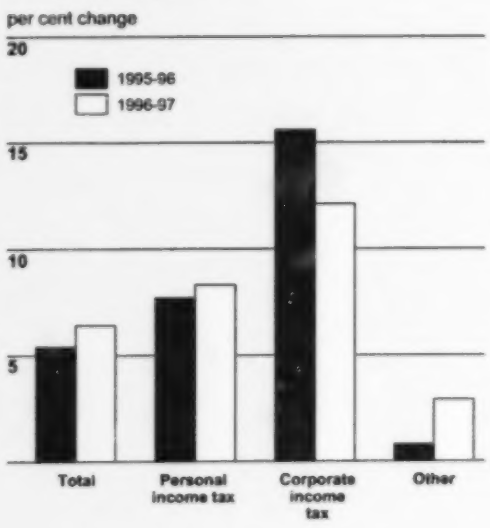
	September		April to September		
	1995	1996	1995-96	1996-97	Per cent change
	(millions of dollars)				(%)
Income taxes					
Personal income tax	6,328	6,866	29,944	32,443	8.3
Corporate income tax	857	1,059	5,436	6,096	12.1
Other	117	187	924	1,081	17.0
Total income tax	7,302	8,112	36,304	39,620	9.1
Employment insurance contributions	1,696	1,616	10,033	9,387	-6.4
Excise taxes and duties					
Goods and Services Tax	1,096	1,982	6,784	7,423	9.4
Customs import duties	274	240	1,427	1,145	-19.7
Other excise taxes/duties	602	753	3,410	3,954	16.0
Total excise taxes and duties	1,972	2,975	11,621	12,522	7.8
Total tax revenue	10,970	12,703	57,958	61,529	6.2
Non-tax revenue	687	473	2,725	3,045	11.8
Total budgetary revenues	11,657	13,176	60,683	64,574	6.4

Although corporate income tax collections are running well above last year's level, this primarily reflects the remittance procedures for corporations, as corporate profits are below last year's level. Monthly corporate income tax instalments are based on last year's actual tax liability or this year's estimated liability, with any adjustment at the time of filing at year end. Monthly instalments during 1995-96 were based on 1994 tax liabilities, whereas current instalment payments are based on 1995 tax liabilities. Liabilities for taxation year 1995 were substantially higher than those in 1994, accounting for the year-over-year increase in instalment payments to date. As indicated in *The Economic and Fiscal Statement*, corporate income tax collections for the year as a whole are expected to be only marginally higher than the final outcome for 1995-96.

Employment insurance contributions declined by $0.6 billion, due to lower premium rates in 1996 and the lowering of the applicable earnings base effective January 1996 to which premiums are calculated.

Budgetary revenues
1995-96 and 1996-97

April to September
Year-over-year growth



Total excise taxes and duties were up $0.9 billion:

- Net GST collections were up 9.4 per cent, or $0.6 billion, on a year-over-year basis. Most of this increase occurred in April 1996, reflecting abnormally low collections in April 1995, rather than strength in collections in April 1996. The underlying weakness in net GST collections reflects the overall weakness in retail sales.
- Customs import duties declined 19.7 per cent, in part reflecting reductions in tariffs under the Canada-United States Free Trade Agreement.
- Other excise taxes and duties were up 16.0 per cent, or $0.4 billion. About two-thirds of this increase is due to the reclassification of Air Transport taxes, which effective April 1996 are included as part of budgetary revenues instead of being netted against program spending, as in previous years. Although this reclassification affects both budgetary revenues and program spending, it has no impact on the deficit.

Non-tax revenues were up 11.8 per cent, or $0.3 billion. Most of this increase was due to the inclusion the second tranche of seignorage gains related to the introduction of the $2 coin. The first tranche was included in the final quarter of 1995-96.

Budgetary expenditures down

Over the period April 1996 to September 1996, total budgetary expenditures, which include both public debt charges and program spending, were down 5.0 per cent, or $3.8 billion. This decline was due to both lower public debt charges and program spending.

Public debt charges were down $0.7 billion or 3.2 per cent. This decline reflected lower interest rates, especially short-term rates. Fiscal restraint by federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

Program spending declined by $3.0 billion, or 5.9 per cent in the April 1996 to September 1996 period, compared to the same period in 1995-96. This decline primarily reflects the impact of the 1994 and 1995 budget measures to reduce and restructure federal government spending, affecting all major components of program spending. However, there are a number of other factors which affect the year-over-year decline to date.

This is especially applicable with respect to the decline in transfers to other levels of government. In the February 1994 budget, provincial entitlements under the Canada Assistance Program (CAP) for 1995-96 were frozen at their 1994-95 levels. As a result, monthly payments during 1995-96 were concentrated in the first half of the year as payments were made until the provincial ceilings were reached. Effective 1996-97, and as announced in the 1995 budget, CAP and Established Program Financing (EPF) were replaced by a new block grant called the Canada Health and Social Transfer (CHST), with the cash portion paid in equal monthly instalments. As a result, the year-over-year changes are affected by not only the restraint measures but also the manner in which transfers to the provinces are being made on a monthly basis. Of the decline witnessed in transfers to other levels of governments to date, about one-third relates to these timing factors which will be reversed in coming months.

Budgetary expenditures 1995-96 and 1996-97

April to September
Year-over-year growth

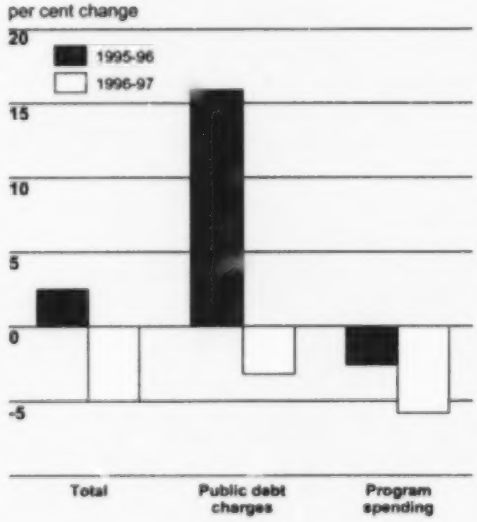


Table 3

Budgetary expenditures

	September		April to September		
	1995	1996	1995-96	1996-97	Per cent change
	(millions of dollars)				(%)
Transfer payments to:					
Persons					
Elderly benefits	1,751	1,825	10,388	10,664	2.7
Employment insurance benefits	880	826	6,107	5,948	-2.6
Veterans' pensions/allowances	117	113	705	676	-4.1
Total	2,748	2,764	17,200	17,288	0.5
Other levels of government					
Canada Health and Social Transfer	1,630	1,254	10,159	7,524	-25.9
Fiscal transfers	837	804	5,034	5,136	2.0
Alternative payments for standing programs	-164	-169	-978	-1,013	3.6
Total	2,303	1,889	14,215	11,647	-18.1
Other					
Agricultural subsidies	110	68	185	311	68.1
Indian and Inuit programs	253	290	1,884	1,865	-1.0
Regional development	40	28	145	155	6.9
Science and Technology	74	41	463	393	-15.1
International assistance	184	126	689	677	-1.7
Other	402	457	2,461	2,075	-15.7
Total	1,063	1,010	5,827	5,476	-6.0
Total transfers	6,114	5,663	37,242	34,411	-7.6
Payments to Crown corporations					
Canadian Broadcasting Corporation	90	64	613	504	-17.8
Canada Mortgage and Housing Corporation	175	152	886	874	-1.3
Other	116	72	609	566	-7.1
Total	381	288	2,108	1,944	-7.8
Operating and capital expenditures					
Defence	820	768	4,487	4,123	-8.1
All other departmental expenditures	1,465	1,494	8,012	8,337	4.1
Total	2,285	2,262	12,499	12,460	-0.3
Total program expenditures 8,780		8,213	51,849	48,815	-5.9
Public debt charges	3,869	3,635	23,511	22,763	-3.2
Total budgetary expenditures	12,649	11,848	75,360	71,578	-5.0

Table 4

The deficit and financial requirements

	September		April to September	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Deficit/surplus	-992	1,328	-14,677	-7,004
Loans, investments and advances				
Crown corporations	-159	148	177	758
Other	744	-84	143	-334
Total	585	64	320	424
Specified purpose accounts				
Canada Pension Plan Account	172	484	864	819
Superannuation accounts	2,393	2,562	4,122	4,283
Other	90	20	105	88
Total	2,655	3,066	5,091	5,190
Other transactions	-2,088	-2,101	-3,248	-2,859
Total non-budgetary transactions	1,152	1,029	2,163	2,755
Financial requirements (excluding foreign exchange transactions)	160	2,357	-12,514	-4,249

Table 5

Financial requirements, foreign exchange and unmatured debt transactions

	September		April to September	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Financial requirements (-)/source (+) (excluding foreign exchange)	160	2,357	-12,514	-4,249
Foreign exchange transactions				
Net international reserves	2,394	-791	-2,578	330
Unmatured debt transactions payable in foreign currencies	-131	-208	-655	250
Total	2,263	-999	-3,233	580
Total financial requirements/source	2,423	1,358	-15,747	-3,669
Unmatured debt transactions				
Marketable bonds	1,100	950	22,659	13,578
Canada Savings Bonds	-265	-206	-2,113	-1,477
Treasury bills	1,400	-1,700	3,250	-13,900
Other	-461	-735	-4,131	609
Subtotal	1,774	-1,691	19,665	-1,190
Less:				
Government's holding of unmatured debt	128	113	825	790
Unmatured debt transactions payable in foreign currency	131	208	655	-250
Subtotal	259	321	1,480	540
Total unmatured debt transactions payable in Canadian dollars	2,033	-1,370	21,145	-650
Change in cash balance	4,456	-12	5,398	-4,319

Table 6

Cash, unmatured debt and debt balances: at September 30

	1995	1996
	(millions of dollars)	
Cash balances at end of period		
In Canadian dollars	7,115	4,207
In foreign currencies	176	19
Total cash balance	7,291	4,226
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	244,483	266,343
Canada Savings Bonds	29,273	29,951
Treasury bills	167,700	152,200
Other	3,934	3,837
Subtotal	445,390	452,331
Less:		
Government's holdings of unmatured debt	169	244
Total	445,221	452,087
Payable in foreign currencies		
Marketable bonds	11,797	9,514
Notes and loans	0	921
Canada bills	4,469	6,625
Subtotal	16,266	17,060
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	461,487	469,147

The increase in all other departmental expenditure was entirely due to the reclassification of the Air Transport tax. In 1995-96, this tax was netted against such spending, whereas in 1996-97 it is classified as part of budgetary revenues. Adjusting for this reclassification, this component would register a decline on a year-over-year basis.

Among the other major components of program spending, transfers to persons were up 0.5 per cent in the six months of 1996-97, as higher elderly benefit payments, due to increases in the elderly population and average benefits, more than offset lower employment insurance benefits and veterans' pensions and allowances. Other transfer payments, payments to Crown corporations and defence were also lower, reflecting the impact of expenditure restraint.

Financial requirements lower

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements – for the fiscal year as a whole – are lower than the deficit, as they also include the non-budgetary transactions. The latter includes transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in the April 1996 to September 1996 period resulted in a net source of funds amounting to $2.8 billion, compared to a net source of $2.2 billion recorded in the corresponding period of 1995-96.

As a result, financial requirements, excluding foreign exchange transactions, amounted to $4.3 billion in 1996-97, down $8.3 billion from that recorded in 1995-96.

The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

In the first six months of 1996-97, foreign exchange transactions provided a net source of funds amounting to $0.6 billion, compared to a net requirement for funds amounting to $3.2 billion in the comparable period last year.

As a result, total financial requirements, including foreign exchange transactions, were $3.7 billion in 1996-97, down $12.1 billion from the net requirement in 1995-96.

To finance these requirements, the government borrows from the private credit markets and/or draws down its cash reserves. In the first six months of 1996-97, the government's cash requirements were met entirely through a drawing down of its cash balances (down $4.3 billion). In addition, the government reduced its borrowings from the private credit markets (unmatured debt transactions) by $0.7 billion, compared to new borrowings of $21.1 billion over the same period in 1995-96.

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account received Royal Assent. As a result, effective April 1, 1991, all Goods and Services Tax revenue net of the applicable input tax credits, rebates, and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction must, by law, go directly to the Debt Servicing and Reduction Account. The funds in this Account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The Account is audited on an annual basis by the Auditor General of Canada.

Table 7

Debt Servicing and Reduction Account

	1991-92	1992-93	1993-94	1994-95	1995-96
	(millions of dollars)				
Gross GST collected	29,564	30,516	32,652	36,715	38,048
Less:					
Refunds and rebates	11,330	12,138	14,271	17,112	18,874
Quarterly low-income tax credit	2,262	2,503	2,685	2,816	2,799
Net GST	15,168	14,868	15,696	16,787	16,374
GST penalties and interest received	19	71	90	129	135
Gains from wind-up of interest in Crown corporations/disposal of shares in Crown corporations	2	110			325
Gifts to the Crown	0.4	0.1	0.2	0.5	0.3
Proceeds to the DSRA	15,190	15,050	15,786	16,916	16,835

Figures for 1991-92, 1992-93, 1993-94, 1994-95, and 1995-96 are from the *Public Accounts of Canada*.

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November 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for October 1996

Deficit declines $2.4 billion in October 1996

The deficit in October 1996 was estimated at $0.5 billion, down $2.4 billion from October 1995. The year-over-year improvement reflects higher budgetary revenues (up $2.0 billion). Program spending declined by $0.5 billion.

- Most of the increase in budgetary revenues was attributable to the gross proceeds ($1.5 billion) from the sale of the Air Navigation System to NAVCAN, as announced in the February 1995 budget. The net impact of this sale on the 1996-97 deficit will be lower, once the net costs of this transaction are fully taken into account. Corporate income tax collections were up strongly while personal income tax collections were relatively weak, largely due to the slippage of receipts from October 1996 into November 1996. Goods and Services Tax collections were lower on a year-over-year basis, as higher refunds/rebates offset the growth in gross collections. The reclassification of the Air Transport Tax from program spending to budgetary revenues, effective April 1996, accounts for most of the increase in other excise taxes and duties.
- The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were virtually unchanged from the October 1995 level, as the impact of lower interest rates was largely offset by adjustments relating to previous months.

Deficit for April 1996 to October 1996 down by $10.1 billion

Over the April to October period, the deficit, at $7.5 billion, was $10.1 billion lower than in the same period in 1995-96.

- Budgetary revenues were up $5.9 billion or 8.3 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 8.9 per cent, or $3.7 billion) and higher sales and excise taxes (up 6.9 per cent or $1.0 billion), and an increase in non-tax revenues (up $1.9 billion or 61.1 per cent), primarily reflecting the one-time gain related to asset sales. Employment insurance contributions declined (down 6.2 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base on which premiums are calculated.
- Program spending declined by $3.5 billion or 5.7 per cent. The decline in program spending primarily reflects the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down $0.8 billion, or 2.8 per cent. This reflects the decline in interest rates, especially short-term rates. Fiscal restraint by the federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.

The results to date cannot be used to extrapolate what the deficit outcome will be for the year as a whole, as part of the improvement to date is attributable to developments unique to the first quarter of 1996-97 and the manner in which certain restraint and asset sale measures are being implemented. However, the deficit results clearly suggest that the deficit target for 1996-97 will be met and possibly bettered.

Table 1

Summary statement of financial transactions[1]

	October		April to October	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Budgetary transactions				
Revenues	10,104	12,080	70,787	76,654
Program spending	-9,197	-8,746	-61,046	-57,561
Operating balance	907	3,334	9,741	19,093
Public debt charges	-3,848	-3,830	-27,359	-26,593
Deficit	-2,941	-496	-17,618	-7,500
Non-budgetary transactions	1,349	344	3,511	3,102
Financial requirements (excluding foreign exchange transactions)	-1,592	-152	-14,107	-4,398
Foreign exchange transactions	3,201	-1,457	623	-1,127
Financial requirements	1,609	-1,609	-13,484	-5,525
Unmatured debt transactions	585	45	21,074	-355

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	October		April to October	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Income taxes				
Personal income tax	4,721	4,782	34,665	37,225
Corporate income tax	832	1,191	6,268	7,287
Other income tax revenue	155	143	1,078	1,225
Total income tax	5,708	6,116	42,011	45,737
Employment insurance contributions	1,673	1,594	11,706	10,981
Excise taxes and duties				
Goods and Services Tax	1,471	1,409	8,255	8,832
Customs import duties	257	264	1,684	1,408
Sales and excise taxes	605	721	4,016	4,677
Total excise taxes/duties	2,333	2,394	13,955	14,917
Total tax revenue	9,714	10,104	67,672	71,635
Non-tax revenue	390	1,976	3,115	5,019
Total budgetary revenues	10,104	12,080	70,787	76,654

Table 3

Detailed statement of budgetary transactions – Expenditures

	October		April to October	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,770	1,811	12,158	12,476
Employment insurance benefits	938	971	7,045	6,919
Other	112	118	817	794
Total	2,820	2,900	20,020	20,189
Other levels of government				
Canada Health and Social Transfer	1,958	1,267	12,116	8,791
Fiscal transfers	949	783	5,983	5,919
Alternative payments for standing programs	-163	-167	-1,141	-1,180
Total	2,744	1,883	16,958	13,530
Other				
Agricultural subsidies	13	69	197	380
Indians and Inuit programs	242	239	2,222	2,222
Regional development	51	43	196	198
Science and Technology	180	130	643	523
International assistance	155	147	844	825
Other	435	419	2,800	2,375
Total	1,076	1,047	6,902	6,523
Total transfers	6,640	5,830	43,880	40,242
Payments to Crown corporations	611	380	2,719	2,323
Operating and capital expenditures				
Defence	841	755	5,327	4,879
All other departmental expenditures	1,105	1,781	9,120	10,117
Total	1,946	2,536	14,447	14,996
Total program expenditures	9,197	8,746	61,046	57,561
Public debt charges	3,848	3,830	27,359	26,593
Total budgetary expenditures	13,045	12,576	88,405	84,154

Table 4

Non-budgetary transactions

	October		April to October	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	75	3	252	760
Other	884	40	1,027	-293
Total	959	43	1,279	467
Specified purpose accounts				
Canada Pension Plan Account	494	152	1,358	971
Superannuation accounts	-178	-137	3,943	4,146
Other	-138	50	-33	140
Total	178	65	5,268	5,257
Other transactions	212	236	-3,306	-2,622
Total non-budgetary transactions	1,349	344	3,511	3,102

Table 5

Foreign exchange and unmatured debt transactions

	October		April to October	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	3,201	-1,457	623	-1,127
Unmatured debt transactions				
Marketable bonds	1,548	1,775	24,206	15,353
Canada Savings Bonds	-424	-345	-2,537	-1,822
Treasury bills		-2,400	3,250	-16,300
Other	-577	952	-4,708	1,561
Subtotal	547	-18	20,211	-1,208
Less:				
Government's holding of unmatured debt	38	63	863	853
Total unmatured debt transactions	585	45	21,074	-355

Note: Unmatured debt payable in foreign currencies is now included as part of unmatured debt transactions and not Foreign exchange transactions. This is consistent with the *Annual Financial Report* for 1995-96.

Table 6

Cash, unmatured debt and debt balances

	at October 31	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	9,330	2,662
In foreign currencies	153	2
Total cash balance	9,483	2,664
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	246,030	268,118
Canada Savings Bonds	28,849	29,606
Treasury bills	167,700	149,800
Other	3,548	3,471
Subtotal	446,127	450,995
Less:		
Government's holdings of unmatured debt	131	181
Total	445,996	450,814
Payable in foreign currencies		
Marketable bonds	11,797	9,514
Notes and loans	0	1,878
Canada bills	4,278	6,986
Subtotal	16,075	18,378
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	462,071	469,192

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December 1996

The Fiscal Monitor

A Publication of the Department of Finance

Financial results for November 1996

Deficit Declines $1.0 billion in November 1996

The deficit in November 1996 was estimated at $0.6 billion, down $1.0 billion from November 1995. The year-over-year improvement reflected lower program spending (down $0.6 billion), lower public debt charges (down $0.3 billion) and higher budgetary revenues (up $0.2 billion).

- The decline in program spending primarily reflected the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- The decline in public debt charges was attributable to the impact of lower interest rates.
- Within budgetary revenues, higher personal income tax collections and employment insurance (E.I.) premiums were largely offset by lower Goods and Services Tax (GST) collections. The increase in E.I. premiums reflected developments in November 1995, as recoveries from the E.I. Account due to overpayments relating to taxation year 1994 dampened net collections in that month. The decline in GST collections was due to lower gross receipts and an increase in refunds and rebates. The reclassification of the Air Transport Tax from program spending to budgetary revenues, effective April 1996, accounted for most of the increase in other excise taxes and duties.

Deficit for April 1996 to November 1996 down by $11.1 billion

Over the April to November period, the deficit, at $8.1 billion, was $11.1 billion lower than in the same period in 1995-96.

- Budgetary revenues were up $6.0 billion or 7.4 per cent, on a year-over-year basis. This increase in collections reflected strong growth in income taxes (up 8.3 per cent, or $4.0 billion), largely due to higher personal income taxes paid on filing pertaining to the 1995 taxation year and the timing of corporate income tax receipts, and higher non-tax revenues (up $1.9 billion), primarily reflecting the gross proceeds from the sale of the Air Navigation System. Excise taxes and duties, which include the GST, were up 3.3 per cent or $0.5 billion. Most of this increase was due to the reclassification of the Air Transport Tax to budgetary revenues. Employment insurance contributions declined (down 3.3 per cent), due to lower premium rates in 1996 and the lowering of the applicable earnings base on which premiums are calculated.
- Program spending declined by $4.1 billion or 5.8 per cent. The decline in program spending primarily reflected the impact of the restraint measures introduced in the 1994 and 1995 budgets. However, part of the decline to date was also due to timing factors, including the manner in which certain restraint measures are being implemented.
- Public debt charges were down $1.0 billion, or 3.3 per cent. Fiscal restraint by the federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down.
- The results to date cannot be used to extrapolate what the deficit outcome will be for the year as a whole, as part of the improvement to date is attributable to developments unique to the first quarter of 1996-97 and the manner in which certain restraint and asset sale measures are being implemented. However, the deficit results to date clearly suggest that the deficit target for 1996-97 will be met and possibly bettered.

Table 1

Summary statement of financial transactions[1]

	November		April to November	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Budgetary transactions				
Revenues	10,828	11,002	81,616	87,656
Program spending	-8,646	-8,056	-69,693	-65,617
Operating balance	2,182	2,946	11,923	22,039
Public debt charges	-3,824	-3,564	-31,182	-30,157
Deficit	-1,642	-618	-19,259	-8,118
Non-budgetary transactions	1,311	1,262	4,821	4,361
Financial requirements (excluding foreign exchange transactions)	-331	644	-14,438	-3,757
Foreign exchange transactions	-791	-2,653	-168	-3,780
Financial requirements	-1,122	-2,009	-14,606	-7,537
Unmatured debt transactions	-187	3,019	20,889	2,665
Change in cash balances	-1,309	1,010	6,283	-4,872

Note: Data compiled by the Receiver General of Canada.

[1] (+) indicates a source of funds, while (-) indicates a requirement for funds.

Table 2

Detailed statement of budgetary transactions – Revenues

	November		April to November	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Income taxes				
Personal income tax	5,119	5,341	39,784	42,567
Corporate income tax	1,080	1,094	7,348	8,381
Other income tax revenue	177	250	1,256	1,475
Total income tax	6,376	6,685	48,388	52,423
Employment insurance contributions	1,275	1,571	12,981	12,552
Excise taxes and duties				
Goods and Services Tax	1,926	1,415	10,180	10,247
Customs import duties	234	254	1,919	1,663
Sales and excise taxes	607	680	4,622	5,356
Total excise taxes/duties	2,767	2,349	16,721	17,266
Total tax revenues	10,418	10,605	78,090	82,241
Non-tax revenues	410	397	3,526	5,415
Total budgetary revenues	10,828	11,002	81,616	87,656

Table 3

Detailed statement of budgetary transactions – Expenditures

	November		April to November	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Transfer payments to:				
Persons				
Elderly benefits	1,772	1,852	13,930	14,328
Employment insurance benefits	980	746	8,025	7,665
Other	113	111	929	905
Total	2,865	2,709	22,884	22,898
Other levels of government				
Canada Health and Social Transfer	1,431	1,267	13,547	10,058
Fiscal transfers	781	717	6,763	6,637
Alternative Payments for Standing Programs	-163	-166	-1,304	-1,346
Total	2,049	1,818	19,006	15,349
Other				
Agricultural	24	81	221	461
Indians and Inuit	244	255	2,466	2,477
Regional development	72	29	268	227
Science and technology	86	64	729	587
International assistance	132	140	976	964
Other	412	433	3,212	2,809
Total	970	1,002	7,872	7,525
Total transfers	5,884	5,529	49,762	45,772
Payments to Crown corporations	225	326	2,944	2,649
Operating and capital expenditures				
Defence	856	765	6,183	5,643
All other departmental expenditures	1,681	1,436	10,804	11,553
Total	2,537	2,201	16,987	17,196
Total program spending	8,646	8,056	69,693	65,617
Public debt charges	3,824	3,564	31,182	30,157
Total budgetary expenditures	12,470	11,620	100,875	95,774

Table 4

Non-budgetary transactions

	November		April to November	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Loans, investments and advances				
Crown corporations	2,376	-64	2,628	696
Other	-1,242	-110	-216	-404
Total	1,134	-174	2,412	292
Specified purpose accounts				
Canada Pension Plan Account	-1,151	-956	207	15
Superannuation accounts	-162	-185	3,781	3,961
Other	190	15	158	155
Total	-1,123	-1,126	4,146	4,131
Other transactions	1,300	2,562	-1,737	-62
Total non-budgetary transactions	1,311	1,262	4,821	4,361

Table 5

Foreign exchange and unmatured debt transactions

	November		April to November	
	1995	1996	1995-96	1996-97
	(in millions of dollars)			
Foreign exchange transactions				
Net international reserves	-791	-2,653	-168	-3,780
Unmatured debt transactions				
Marketable bonds	900	6,643	25,106	21,996
Canada Savings Bonds	3,680	5,057	1,143	3,235
Treasury bills	-3,800	-7,800	-550	-24,100
Other	379	427	-4,327	1,989
Subtotal	1,159	4,327	21,372	3,120
Less:				
Government's holding of unmatured debt	-1,346	-1,308	-483	-455
Total unmatured debt transactions	-187	3,019	20,889	2,665

Note: Unmatured debt payable in foreign currencies is now included as part of unmatured debt transactions and not Foreign exchange transactions. This is consistent with the *Annual Financial Report* for 1995-96.

Table 6

Cash, unmatured debt and debt balances

	at November 30	
	1995	1996
	(in millions of dollars)	
Cash balances at end of period		
In Canadian dollars	7,205	3,659
In foreign currencies	971	15
Total cash balance	8,176	3,674
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	247,630	272,018
Canada Savings Bonds	32,529	34,663
Treasury bills	163,900	142,000
Other	4,079	3,786
Subtotal	448,138	452,467
Less:		
Government's holdings of unmatured debt	1,477	1,490
Total	446,661	450,977
Payable in foreign currencies		
Marketable bonds	11,097	12,257
Notes and loans	0	2,079
Canada bills	4,127	6,897
Subtotal	15,224	21,233
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	461,885	472,210

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January 1997

The Fiscal Monitor

A Publication of the Department of Finance

Highlights of financial results for December 1996

Surplus of $2.2 billion reported in December 1996

A surplus of $2.2 billion was reported in December 1996, compared to a surplus of $0.1 billion in December 1995.

- Over half the increase in the surplus was attributable to timing factors, primarily affecting revenues, resulting in an overstatement of financial improvement in December 1996. This will be unwound over the balance of the 1996-97 fiscal year.

Deficit for April 1996 to December 1996 down by $13.2 billion

Over the nine-month period (April to December), the deficit stood at $5.9 billion, down $13.2 billion from the same period in 1995-96.

- Budgetary revenues were up $7.3 billion or 7.7 per cent, on a year-over-year basis. A significant part of this improvement was due to special factors which overstate the underlying trend in budgetary revenues.
- Program spending was down $4.5 billion or 5.8 per cent, primarily reflecting the impact of the restraint measures introduced in the 1994 and 1995 budgets.
- Public debt charges were down by $1.4 billion or 4.0 per cent. This reflected declines in interest rates, especially short-term rates.

Deficit for 1996-97 expected to be at least $5.3 billion under target

Timing factors with respect to the receipt of revenues and the manner by which certain restraint measures are being implemented overstate the actual extent of improvement in the deficit. As a result, the deficit over the remaining three months of 1996-97 and in the end-of-year accounting period is expected to be higher than over the same period last year.

As indicated in the 1997 budget, the deficit for the year as a whole is now estimated at no more than $19.0 billion – at least $5.3 billion below target. The target for 1996-97 was based on prudent planning assumptions, backed by a $2.5 billion Contingency Reserve. The latter can only be used to cover risks arising from unpredictable events; it cannot be used to finance new policy initiatives. Credible fiscal restraint by the federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down to levels much lower than assumed at the time of the 1996 budget. As a result, public debt charges are expected to be $2.3 billion lower than projected in the March 1996 budget. This, in combination with strict control over program spending, has meant that the Contingency Reserve will not be required for 1996-97 – the third consecutive year in which this has occurred.

Table 1

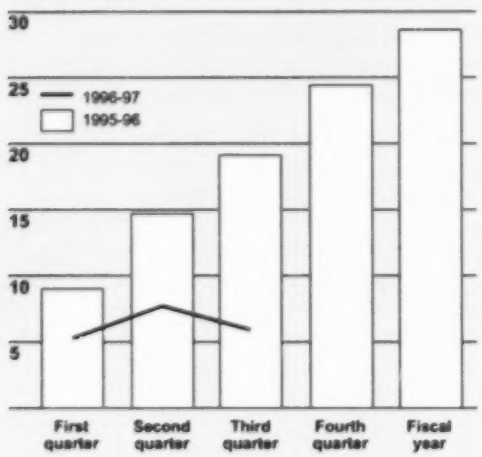
Summary statement of transactions

	December		April to December	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Budgetary transactions				
Revenues	12,946	14,173	94,562	101,830
Program spending	-8,764	-8,344	-78,457	-73,961
Operating surplus	4,182	5,829	16,105	27,869
Public debt charges	-4,034	-3,638	-35,216	-33,795
Deficit/surplus	148	2,191	-19,111	-5,926
Non-budgetary transactions	-1,063	-1,369	3,758	2,994
Financial requirements/source (excluding foreign exchange transactions)	-915	822	-15,353	-2,932
Foreign exchange transactions	1,457	1,573	1,288	-2,206
Total financial requirements/source	542	2,395	-14,065	-5,138
Unmatured debt transactions	-1,333	-914	19,555	1,751

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

The federal deficit
1995-96 and 1996-97

Year to date



Budgetary revenues up

On a year-over-year basis, budgetary revenues over the April 1996 to December 1996 period increased by $7.3 billion (7.7 per cent). However, as explained below, about 60 per cent of this increase was attributable to special factors, which overstate the underlying trend in budgetary revenues and the impact on the deficit outcome for the year as a whole.

Personal income tax collections were up 7 per cent, or $3.2 billion. Over half this increase relates to higher taxes paid on filing, net of refunds, and quarterly installment payments – which were up about 20 per cent. In contrast, deductions from employment income, up about 2 per cent from last year, closely mirror the developments in employment and earnings. Taxes paid on filing in the current fiscal year pertain to developments affecting the 1995 taxation year. The sharp increase in quarterly installment payments was largely due to more taxpayers being required to make installments on income not subject to withholding in 1996 than in 1995. Again, this is largely based on 1995 taxation year liabilities and could result in lower collections when individuals file their 1996 tax returns.

Table 2

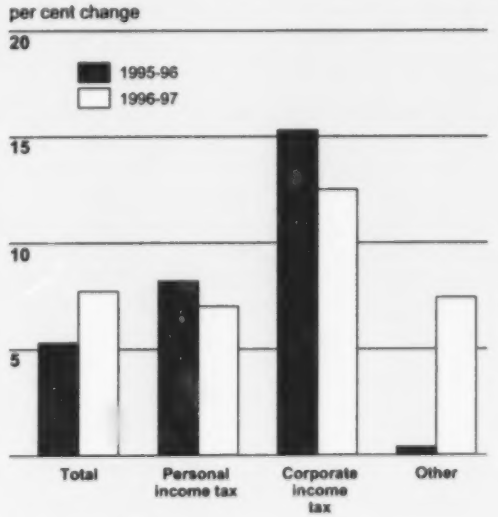
Budgetary revenues

	December		April to December		
	1995	1996	1995-96	1996-97	Per cent change
	(millions of dollars)				(%)
Income taxes					
Personal income tax	6,681	7,146	46,465	49,713	7.0
Corporate income tax	1,411	1,478	8,760	9,859	12.5
Other	148	253	1,404	1,728	23.1
Total income tax	8,240	8,877	56,629	61,300	8.2
Employment insurance contributions	1,340	1,554	14,320	14,105	-1.5
Excise taxes and duties					
Goods and services tax	1,463	2,113	11,643	12,360	6.2
Customs import duties	261	211	2,179	1,874	-14.0
Other excise taxes/duties	679	604	5,300	5,960	12.5
Total excise taxes and duties	2,403	2,928	19,122	20,194	5.6
Total tax revenue	11,983	13,359	90,071	95,599	6.1
Non-tax revenue	963	814	4,491	6,231	38.7
Total budgetary revenues	12,946	14,173	94,562	101,830	7.7

Corporate income tax collections are running well above last year's level. However, most of this increase reflects timing factors relating to the monthly tax remittance procedures for corporations. Corporations are required to file monthly installments, based on either last year's tax liability or their current year's estimated tax liability. Corporations have 60 days after their year end to file their tax return, with any amounts outstanding. As a result, over 30 per cent of corporate income tax collections are received in the months of February and March. Monthly installments during 1995-96 were based on 1994 tax liabilities. But liabilities for taxation year 1995 were substantially higher than those in 1994, with the result that installments during 1995-96 significantly understated the tax liability for the year as a whole. Collections in the settlement period (February and March) of 1995-96 were up 34 per cent over the previous year's settlement period. During the current fiscal year, installment payments are estimated to be more in line with final tax liabilities, as profits in 1996 are up only slightly from 1995. Therefore, the settlement period collections in the current fiscal year are not expected to be as large as those experienced in 1995-96.

Budgetary revenues
1995-96 and 1996-97

April to December
Year-over-year growth



The decline in employment insurance premiums was largely due to lower premium rates and the lowering of the applicable earnings base on which premiums are calculated.

Total excise taxes and duties were up $1.1 billion, or 5.6 per cent:

- Half this increase was due to the reclassification of the air transport tax from an offset to program spending to budgetary revenues, effective April 1, 1996. Although this reclassification affects both revenues and program spending, the budgetary deficit is unaffected by this change.
- Net goods and services tax (GST) collections were up 6.2 per cent, or $0.7 billion, on a year-over-year basis. Over half this increase occurred in April 1996, reflecting abnormally low collections in April 1995, rather than strength in collections in April 1996. Timing factors also account for some remaining increase, as collections in December 1995 were affected by the slippage of some revenues into January 1996. Finally, refunds were abnormally low in December 1996. Given the growth in gross collections, refunds should be higher in future months, thereby dampening net collections accordingly. Excluding the impact of these factors, net collections to date would be little changed from last year.
- Customs import duties declined 14.0 per cent, in part reflecting reductions in tariffs under the Canada-United States Free Trade Agreement.
- Excluding the air transport tax, other excise taxes and duties were up only 2.5 per cent.

The increase in non-tax revenues is more than accounted for by the inclusion of the second tranche of seignorage gains related to the introduction of the $2 coin (the first tranche was included in the final quarter of 1995-96) and the proceeds from the sale of the air navigation system.

Budgetary expenditures down

Over the period April 1996 to December 1996, total budgetary expenditures, which include both public debt charges and program spending, were down 5.2 per cent, or $5.9 billion. This decline was due to both lower public debt charges and program spending.

Public debt charges were down $1.4 billion or 4.0 per cent. This decline reflected lower interest rates, especially short-term rates. Fiscal restraint by federal and provincial governments and continued low inflation have provided the necessary conditions for interest rates to come down substantially.

Program spending declined by $4.5 billion, or 5.7 per cent, in the April 1996 to December 1996 period, compared to the same period last year. This decline primarily reflects the impact of the 1994 and 1995 budget measures to reduce and restructure federal government spending, affecting all major components of program spending. However, there are a number of other factors which affect the year-over-year decline to date.

This is especially applicable with respect to the decline in transfers to other levels of government. In the February 1994 budget, provincial entitlements under the Canada Assistance Program (CAP) for 1995-96 were frozen at their 1994-95 levels. As a result, monthly CAP payments during 1995-96 were concentrated in the first nine months of the year as payments were made until the provincial ceilings were reached. Effective 1996-97, as announced in the 1995 budget, CAP and Established Programs Financing (EPF) were replaced by a new block grant called the Canada Health and Social Transfer (CHST), with the cash portion paid in equal monthly installments. As a result, the year-over-year changes are affected by not only the restraint measures but also the manner in which transfers to the provinces are being made on a monthly basis. All the expected decline in CHST transfers for the fiscal year as a

Budgetary expenditures 1995-96 and 1996-97

April to December
Year-over-year growth

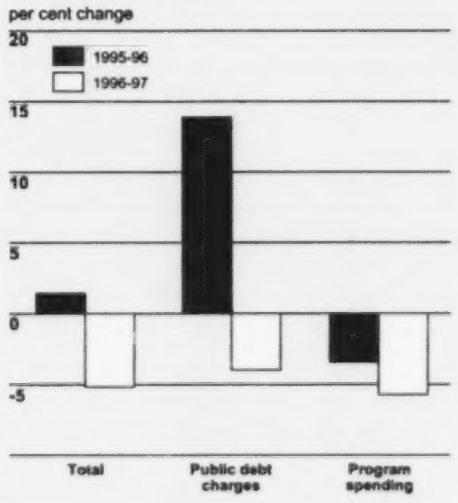


Table 3

Budgetary expenditures

	December		April to December		
	1995	1996	1995-96	1996-97	Per cent change
	(millions of dollars)				(%)
Transfer payments to:					
Persons					
Elderly benefits	1,773	1,809	15,703	16,136	2.8
Employment insurance benefits	1,141	932	9,167	8,597	-6.2
Veterans' pensions/allowances	109	112	1,039	1,017	-2.1
Total	3,023	2,853	25,909	25,750	-0.6
Other levels of government					
Canada Health and Social Transfer	1,341	1,267	14,889	11,325	-23.9
Fiscal transfers	804	725	7,568	7,362	-2.7
Alternative payments for standing programs	-163	-166	-1,467	-1,513	3.1
Total	1,982	1,826	20,990	17,174	-18.2
Other					
Agricultural subsidies	109	100	330	561	70.0
Indian and Inuit programs	273	289	2,739	2,766	1.0
Regional development	54	73	322	300	-6.8
Science and technology	179	181	908	768	-15.4
International assistance	114	143	1,091	1,108	1.6
Other	467	466	3,679	3,275	-11.0
Total	1,196	1,252	9,069	8,778	-3.2
Total transfers	6,201	5,931	55,968	51,702	-7.6
Payments to Crown corporations					
Canadian Broadcasting Corporation	77	58	857	707	-17.5
Canada Mortgage and Housing Corporation	201	173	1,393	1,359	-2.4
Other	123	134	1,095	949	-13.4
Total	401	365	3,345	3,014	-9.9
Operating and capital expenditures					
Defence	747	810	6,931	6,453	-6.9
All other departmental expenditures	1,415	1,238	12,213	12,792	4.7
Total	2,162	2,048	19,144	19,245	0.5
Total program expenditures 8,764		8,344	78,457	73,961	-5.7
Public debt charges	4,034	3,638	35,216	33,795	-4.0
Total budgetary expenditures	12,798	11,982	113,673	107,756	-5.2

Table 4

The deficit and financial requirements

	December		April to December	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Deficit/surplus	148	2,191	-19,111	-5,926
Loans, investments and advances				
Crown corporations	382	176	3,010	872
Other	1	-7	-215	-411
Total	383	169	2,795	461
Specified purpose accounts				
Canada Pension Plan Account	-366	-428	-160	-413
Superannuation accounts	2,440	2,635	6,222	6,596
Other	-31	49	127	205
Total	2,043	2,256	6,189	6,388
Other transactions	-3,489	-3,794	-5,226	-3,855
Total non-budgetary transactions	-1,063	-1,369	3,758	2,994
Financial requirements (excluding foreign exchange transactions)	-915	822	-15,353	-2,932

Table 5

Financial requirements, foreign exchange and unmatured debt transactions

	December		April to December	
	1995	1996	1995-96	1996-97
	(millions of dollars)			
Financial requirements (-) / source (+) (excluding foreign exchange)	-915	822	-15,353	-2,932
Foreign exchange transactions				
Net international reserves	1,457	1,573	1,288	-2,206
Total financial requirements/source	542	2,395	-14,065	-5,138
Unmatured debt transactions				
Marketable bonds	2,450	6,106	27,556	28,103
Canada Savings Bonds	-171	-273	972	2,962
Treasury bills	-3,800	-6,800	-4,350	-30,900
Other	-14	-60	-4,342	1,929
Subtotal	-1,535	-1,027	19,836	2,094
Less:				
Government's holding of unmatured debt	202	113	-281	-343
Total unmatured debt transactions payable in Canadian dollars	-1,333	-914	19,555	1,751
Change in cash balance	-791	1,481	5,490	-3,387

Table 6

Cash, unmatured debt and debt balances: at December 31

	1995	1996
	(millions of dollars)	
Cash balances at end of period		
In Canadian dollars	6,405	5,151
In foreign currencies	981	4
Total cash balance	7,386	5,155
Unmatured debt balance		
Payable in Canadian dollars		
Marketable bonds	250,080	278,125
Canada Savings Bonds	32,359	34,390
Treasury bills	160,100	135,200
Other	4,078	3,785
Subtotal	446,617	451,500
Less:		
Government's holdings of unmatured debt	1,275	1,376
Total	445,342	450,124
Payable in foreign currencies		
Marketable bonds	11,097	12,257
Notes and loans	0	2,079
Canada bills	4,115	6,839
Subtotal	15,212	21,175
Less:		
Government's holdings of unmatured debt	0	0
Total unmatured debt	460,554	471,299

whole has already been recorded in the financial results to date. CHST transfers over the balance of the fiscal year are expected to be in line with what was paid last year.

The increase in all other departmental expenditures was entirely due to the reclassification of the air transport tax. In 1995-96, this tax was netted against such spending, whereas in 1996-97 it is classified as part of budgetary revenues. Adjusting for this reclassification, this component would register a decline on a year-over-year basis.

Among the other major components of program spending, transfers to persons were down 0.6 per cent in the nine months of 1996-97, as higher elderly benefit payments, due to increases in the elderly population and average benefits, were more than offset by lower employment insurance benefits and veterans' pensions and allowances. Other transfer payments and payments to Crown corporations and defence were also lower, reflecting the impact of expenditure restraint.

Financial requirements lower

Financial requirements measure the amount by which cash going out from the government exceeds cash coming in. Financial requirements – for the fiscal year as a whole – are lower than the deficit, as they also include non-budgetary transactions. The latter includes transactions in loans, investments and advances, government employees' pension accounts, other specified accounts, and other financial assets and liabilities.

Non-budgetary transactions in the April 1996 to December 1996 period resulted in a net source of funds amounting to $3.0 billion, compared to a net source of $3.8 billion recorded in the corresponding period of 1995-96.

As a result, financial requirements, excluding foreign exchange transactions, amounted to $3.0 billion in the first nine months of 1996-97, down $12.4 billion from that recorded in the same period of 1995-96.

The purpose of the Exchange Fund Account is to promote order and stability in the foreign exchange market. It fulfills this function by buying foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

In the first nine months of 1996-97, foreign exchange transactions resulted in a net requirement of $2.2 billion, compared to a net source for funds amounting to $1.3 billion in the comparable period last year.

As a result, total financial requirements, including foreign exchange transactions, were $5.1 billion to date in 1996-97, down $8.9 billion from the net requirement in the same period last year.

To finance these requirements, the government borrows from the private credit markets and/or draws down its cash reserves. In the first nine months of 1996-97, the government's cash requirements were met through a drawing-down of its cash balances ($3.4 billion) and borrowings from the private credit markets (unmatured debt transactions) of $1.8 billion. In the first nine months of 1995-96, net new borrowings amounted to $19.6 billion.

The Debt Servicing and Reduction Account

In June 1991, legislation to establish the Debt Servicing and Reduction Account (DSRA) received Royal Assent. As a result, effective April 1, 1991, all GST revenue net of the applicable input tax credits, rebates and the low-income credit, along with the net proceeds from the sale of Crown corporations and gifts to the Crown identified for debt reduction, must go directly to the DSRA. The funds in this account can only be used to pay the cost of servicing the public debt and ultimately to reduce the debt. The account is audited on an annual basis by the Auditor General of Canada.

Table 7

Debt Servicing and Reduction Account

	1991-92	1992-93	1993-94	1994-95	1995-96
	(millions of dollars)				
Gross GST collected	29,564	30,516	32,652	36,715	38,048
Less:					
Refunds and rebates	11,330	12,138	14,271	17,112	18,874
Quarterly low-income tax credit	2,262	2,503	2,685	2,816	2,799
Net GST	15,168	14,868	15,696	16,787	16,374
GST penalties and interest received	19	71	90	129	135
Gains from wind-up of interest in Crown corporations/disposal of shares in Crown corporations	2	110			325
Gifts to the Crown	0.4	0.1	0.2	0.5	0.3
Proceeds to the DSRA	15,190	15,050	15,786	16,916	16,835

Figures for 1991-92, 1992-93, 1993-94, 1994-95 and 1995-96 are from the *Public Accounts of Canada.*

Note: Numbers in this newsletter may not add due to rounding.

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